Agrium

1996 Annual Report to the Shareholders

The Path to Future Growth

The Foundation for Growth

Agrium's integrated wholesale and retail fertilizer business is the most geographically diverse in North America. With 66 years of experience in the fertilizer business, the Company has developed loyal customer relationships and maintained a strong financial position. Building on this foundation, Agrium is now pursuing growth opportunities in the global environment.

Growing population, increasing affluence, limited availability of new arable land and low grain inventories continue to challenge the world's farmers. They must dramatically increase crop yields to keep up with the global demand for food. Over the past 20 years, the world's population has increased by nearly 50 percent. During that time there has been little increase in the amount of land under cultivation. However, the efficient use of fertilizer has been an important factor in increasing total grain production by more than 60 percent during the period.

The competitive environment for the fertilizer industry is also changing. As demand continues to increase, industry rationalization has produced strong, focused companies that are able to compete on a global scale. For example, rationalization has reduced the number of North American ammonia producers from 55 in 1980 to 26 at the end of 1996. Similar activity has occurred in the phosphate and potash industries, albeit on a smaller scale.

Agrium is committed to building a foundation for growth to remain competitive in such a dynamic market. The Company continues to expand its existing operations as appropriate and look for international opportunities that will ensure its success in the future.

Strategic Business Units

North American Wholesale produces, distributes and markets fertilizers and related products to North American wholesale and export markets, primarily in the U.S. Upper Midwest, U.S. Pacific Northwest and Western Canada.

North American Retail provides a full range of products and services — including fertilizers, chemicals, seeds, soil testing and agronomic advice — to growers across the major agricultural areas of the United States.

International identifies and develops business growth opportunities outside North America to improve Agrium's position in the global agricultural business.

New Products Research & Development creates, develops and commercializes new, high-return products and services that respond to customer needs and anticipate future industry directions.

Agrium's four Strategic Business Units are supported by the following Corporate services that help these units achieve their individual strategic goals: Business Development; Corporate Relations; Environmental and Regulatory Affairs; Finance; Human Resources; Information Management; Internal Audit; Legal.

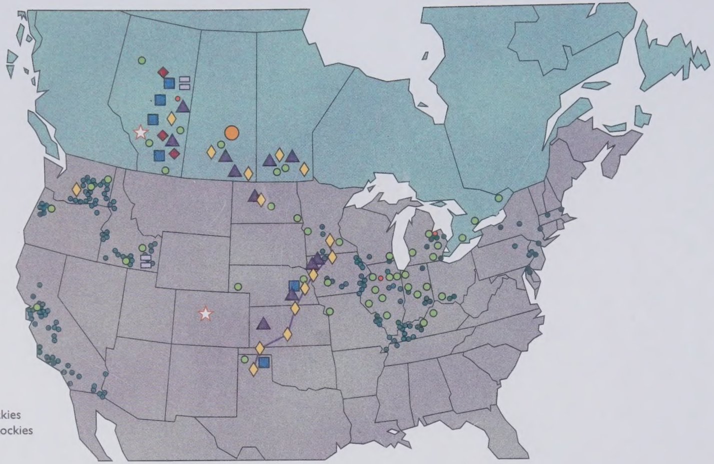
Collectively, all entities within the Corporate structure work together for one common goal — to continually increase shareholder value while maintaining the Company's competitive advantages.

North American Wholesale

- Nitrogen Solutions Production
- Potash Production Facility
- Nitrogen Production Facility
- Phosphate Production Facility
- Dry Fertilizer Warehouse
- Micro Nutrients Production
- Anhydrous Ammonia Distribution Facility
- Anhydrous Ammonia Storage
- Anhydrous Ammonia Pipeline (owned by MAPCO)

North American Retail

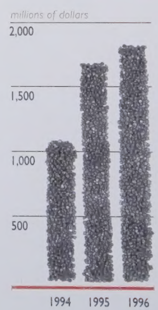
- Headquarters
- Retail Outlets – CPS – East of Rockies
  – WFS – West of Rockies



International – Argentina

- Headquarters
- Existing Farm Centers
- New Farm Centers

Net Sales



Corporate Strategies

Integration

We will continue to be a premier integrated producer and marketer of agricultural products, building solid and productive relationships with customers and suppliers.

Innovation

We will focus research and development efforts on meeting the emerging needs of customers and continuously improving our business activities.

Globalization

We will participate in the growth of our industry outside North America, in parts of the world where anticipated growth in population and per capita income are expected to strengthen demand for our products and services.

Growth

We will add value for our shareholders and contribute to the expansion of the Company through acquisitions, mergers, joint ventures, greenfield developments and expansion projects at existing operations.

Corporate Profile

Agrium Inc., headquartered in Calgary, Alberta, Canada, is a major producer and marketer of fertilizer and related products and services to the global agricultural industry.

Agrium is North America's largest producer of nitrogen fertilizers and also produces a significant amount of the continent's phosphate, potash and sulphur fertilizers, and micro-nutrients. With three of North America's newest nitrogen production facilities, nitrogen fertilizers account for approximately 65 percent of the Company's total production. Agrium produces about 13 percent of North America's ammonia, 22 percent of its urea, five percent of its phosphate and five percent of its potash.

Excluding Co-operatives, Agrium is the second largest retailer of agricultural inputs and crop production services in the United States with retail farm centers in California, the Pacific Northwest, the Midwest and Northeast.

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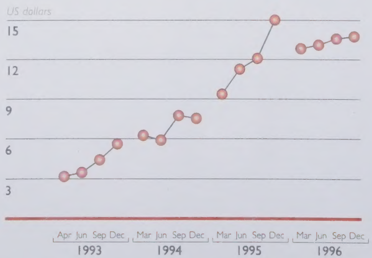
In addition, the Company continues to establish itself in the international marketplace. Agrium currently has a total of eight retail farm centers in Argentina — with plans for 10 more in 1997 — and continues to evaluate investment opportunities for production facilities around the world, with particular focus on the southern cone of South America and Southeast Asia.

Our Vision

Agrium's vision is to be a North American-based, internationally recognized leader in the development, production and marketing of agricultural products — primarily fertilizers. We will be an acknowledged benchmark in the creation of shareholder value by maintaining a strong customer focus, sustaining continual innovation, continuously improving performance and accountability, and exploiting opportunities to strengthen our competitive position.

Shares of Agrium Inc. trade on the Toronto Stock Exchange and New York Stock Exchange under the symbol AGU.

Share Price History



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1996 Operational Accomplishments

- On December 10, Agrium merged with Viridian Inc. The nitrogen fertilizer production capacity of the combined company is more than four million tonnes, largest in North America, and phosphate production capacity is more than one million tonnes.
- Major expansions were completed at Redwater and Carseland, increasing their urea production capacity by a total of 250,000 tonnes.
- All time production records were established at several facilities.
- On November 1, Agrium's integrated information management system came on line, showing the Company's commitment to providing enhanced data management capability.
- Four retail farm centers opened in Argentina, bringing the total to eight. The Company also announced plans to build a fertilizer import terminal and 10 additional retail farm centers during the first half of 1997.

1996 Financial Accomplishments

- On January 5, Agrium completed a three-for-one stock split in the form of a stock dividend on outstanding common shares.
- On March 29, Agrium completed its initial share repurchase program begun in April 1995. The Company purchased 3.3 million (5%) of its then-outstanding common shares through a normal course issuer bid at an average price of US$11.98 a share.
- On October 4, Agrium common shares were listed on the NYSE, consolidating the Company's trading identity under the symbol AGU on both the Toronto and New York Stock Exchanges.
- On December 23, Agrium retired approximately $400 million of Viridian debt. In January 1997, the Company successfully issued $300 million of notes and debentures in the U.S. public debt market at more favorable rates of interest.
- Agrium received initial debt ratings from Moody's and Standard & Poors in the United States. The Company's debt was rated Investment Grade, as high as any other company in the North American fertilizer business.

Financial Highlights

For the Financial Highlights and Key Financial Ratios outlined below, earnings and cash flow from continuing operations, including per share amounts, are stated before charges associated with the merger of Agrium Inc. and Viridian Inc. and costs associated with the retirement of Viridian Inc. debt.

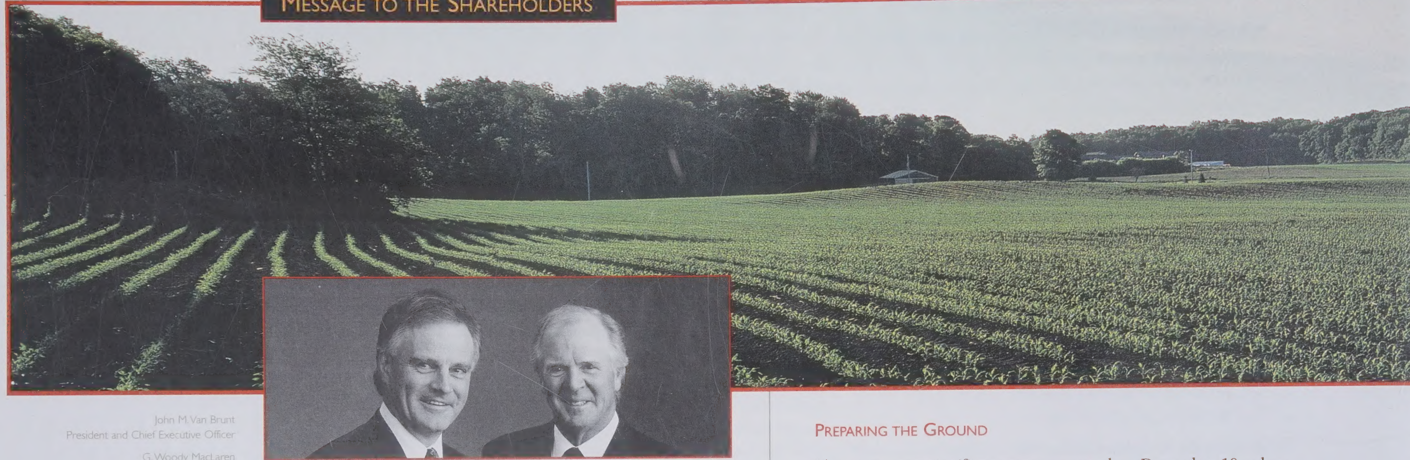
Millions of US$ except per share data	1996	1995	1994
Net sales	**$1,814**	$1,670	$1,022
Gross profit	**705**	681	356
EBITDA*	**470**	475	243
Earnings from continuing operations	**212**	219	96
Per common share	**1.54**	1.64	0.78
Cash provided by continuing operations	**313**	306	171
Per common share	**2.27**	2.29	1.39
Working capital	**48**	656	437
Total assets	**1,580**	2,039	1,557
Long term debt	**184**	588	434
Shareholders' equity	**701**	864	721
Capital expenditures	**153**	88	38

* *Earnings before interest, taxes, depreciation and amortization.*

Key Financial Ratios

:1 except percentages			
Current assets to current liabilities	**1.09**	2.68	2.75
Long term debt to total assets	**0.12**	0.29	0.28
Long term debt to funds flow (years)	**0.59**	1.92	2.53
Total debt to debt + equity	**0.41**	0.43	0.38
Interest coverage	**6.72**	7.69	4.05
Return on sales (%)	**11.66**	13.09	9.34
Return on average invested capital (%)	**17.98**	18.75	13.19
Return on average shareholders' equity (%)	**27.02**	27.57	17.60

Message to the Shareholders



John M. Van Brunt
President and Chief Executive Officer

G. Woody MacLaren
Chairman of the Board

During the past 12 months, all areas of our business underwent dramatic change. It was a crucial period in the short history of the Company: 1996 laid the foundation for Agrium to grow from an enterprising new public corporation with an experienced management team, strong track record and focused strategic vision, into a major international corporation with the resources, drive and workforce to be a leader in the industry, today and in the future.

Preparing the Ground

The year's most significant event occurred on December 10, when the Company merged with Viridian Inc. in a stock for stock transaction that increased our number of shares outstanding to approximately 140 million. Merging with Viridian effectively accomplished three of our most important long-term strategic goals:

- We increased our critical mass in North America, creating a stronger base from which to expand our global operations;
- We increased our nitrogen business by 120 percent, transforming Agrium into the largest and most cost-efficient nitrogen fertilizer producer on this continent; and
- We strengthened our position as a major producer of phosphate by more than doubling our production capacity.

Many of our fertilizer production facilities underwent expansions and production improvements. These improvements, combined with the additional production acquired in the Viridian merger, led to a record year for North American Wholesale. This Unit achieved a new sales record with total sales of $1.1 billion, up 11 percent from the record set just last year, and 60 percent above 1994. In addition, our wholesale gross profit margin was $0.5 billion, an increase of six percent over 1995 and 102 percent higher than 1994.

As one of North America's lowest-cost producers of nitrogen-based fertilizers, Agrium owns and operates three of the six newest nitrogen production facilities in North America, strategically located in the province of Alberta, Canada at Redwater, Fort Saskatchewan and Joffre. The Company manufactured and distributed 3.6 million tonnes of anhydrous ammonia, urea, ammonium nitrate and ammonium sulphate during 1996, an increase of two percent over 1995.

In our first full year back in the phosphate business, Agrium's production and sales more than doubled, reaching approximately 1.1 million tonnes of phosphate fertilizers — monoammonium phosphate (MAP), diammonium phosphate (DAP), ammoniated phosphates, merchant grade phosphoric acid (MGA), and super phosphoric acid (SPA).

On a negative note, potash production declined in 1996 due to a four-month strike. However, the strike was settled in September 1996 at which time Potash employees agreed to the first ever three-year contract. In addition, Potash Operations is completing an incremental expansion project which will add 300,000 tonnes of additional premium grade production capacity in response to customer needs while increasing overall production by 200,000 tonnes. Recently, the industry has realized a price increase in North America for the first time in several years.

Our North American Retail unit continued to make a significant contribution to the Company's total revenue, with retail sales four percent and gross profit six percent above 1995 levels. This growth can be partially attributed to the acquisition of four new retail outlets in the Midwest and Eastern United States. Profits were adversely affected by unseasonably wet conditions during the fourth quarter in the western portion of our market.

Internationally, the Company continued to expand its Argentinean operations. Adding four new Agroservicios Pampeanos (ASP) retail outlets in Argentina, our International Strategic Business Unit realized total sales of $19.1 million.

During the year, we also undertook additional Corporate initiatives to position ourselves to exploit opportunities in expanding global markets.

- On October 4, our U.S. stock market listing was transferred from the Nasdaq to the New York Stock Exchange. Our U.S. trading symbol became AGU, the same symbol we use on the Toronto Stock Exchange. In terms of international visibility, our move to the Big Board enhances our market appeal and positions us as a major fertilizer company.
- On October 20, in conjunction with the announcement of the Viridian merger, we also announced plans for a special issuer bid to purchase 13.9 million outstanding common shares of the merged company. We completed this program using a modified dutch auction process on February 25, 1997 at Cdn$20.00 a share. Currently, approximately 127.0 million common shares remain outstanding.
- On November 1, our integrated computer information management system came on line throughout our North American Wholesale, New Products Research & Development and Corporate operations. Plans are in place to move the balance of the Company to the system, providing us with a state-of-the-art management information and data management capability, one that is readily capable of assimilating future growth.
- In December, the successful retirement of approximately $400 million of Viridian high coupon debt securities and subsequent placement in January 1997, of $300 million in debt at more favorable interest rates, provides long term capital and will reduce interest costs for years to come.

We also began the transition to utilizing value-based management concepts as a basis of our management system, working towards achieving our strategic goal of continually increasing shareholder value. The concept, now to include the integration of Viridian, will maximize future cash flows by:

- Focusing on value-creating strategies and tactics;
- Deploying appropriate value-based tools and techniques;
- Using our performance management process to identify, measure and report on key drivers of value; and
- Rewarding value creation through our compensation system.

The North American fertilizer industry is changing rapidly. Consolidation is creating fewer and larger competitors, as well as fewer and larger customers. New customer needs, new technology and globalization are changing the dynamics of the market. We continue to restructure our organization to enhance our competitiveness in this changing environment. During 1996, we continued to evolve strategically into an organization with a stronger customer and product marketing focus coupled with a commitment to optimize value for customers and shareholders.

Planting Seeds for the Future

During the first three months of 1997, our prime focus has been the integration of the Agrium and Viridian organizations. Involving employees at all levels, our goal is to field the best combined team, to utilize the best practices, and to maximize the many synergies and efficiencies while at all times maintaining our focus on the customer.

The new Agrium is North America's largest producer of nitrogen fertilizers, second largest retailer of agricultural inputs, third largest producer of potash fertilizers and fifth largest producer of phosphate fertilizers. Financially, the new Agrium ranks as North America's third largest fertilizer company in terms of market capitalization, third largest in terms of EBITDA and second largest in terms of cash flow, truly a major player and ever-increasing force in the global fertilizer industry.

On the international front, ASP will add another 10 retail outlets in Argentina by April 1997, to continue the growth of our retail distribution business. This decision was based on the better than anticipated success of our first four units. We are also nearing a decision in our plan to develop a world-scale nitrogen fertilizer production complex in Argentina and are expecting to make an announcement by the end of the first quarter of 1997.

In addition, Agrium continues to explore additional opportunities around the world, concentrating on the southern cone of South America, and the Southeast Asia areas.

We look towards 1997 with anticipation and enthusiasm. The powerful challenges affecting agriculture today include:

- Meeting the expanding demand for food and fiber as the world's population grows;
- Increasing production on the world's limited acres of arable land;
- Improving efficiencies in the use of our products while increasing production;
- Adapting to changing technological developments; and
- Responding to cost pressures accelerated by an emerging and competitive global economy.

We consider these challenges to be opportunities — ways Agrium can contribute to a healthier world while increasing profitability and maintaining a competitive advantage. In the next few years, our expertise in New Products Research & Development will enable us to develop products that will help suppress plant disease, stimulate growth and reduce other natural plant stresses.

Cultivating Strength Through Our Team

In conclusion, we wish to thank all Agrium employees for the enthusiasm with which they have embraced the overall growth of the Company, and for their loyalty and support as the enlarged Company has evolved. Their dedication and hard work have been instrumental in the development of Agrium.

We would like to recognize and welcome the new members of our Board of Directors. Messrs. Neil Carragher, Ralph Cunningham, Frank King and James Temple are all former members of the Board of Viridian who have joined the Agrium Board. As well, we would like to express our sincere thanks to Dr. Carroll Brunthaver and Mr. Bob Stone, who have left Agrium's Board of Directors, for their outstanding service to the Company.

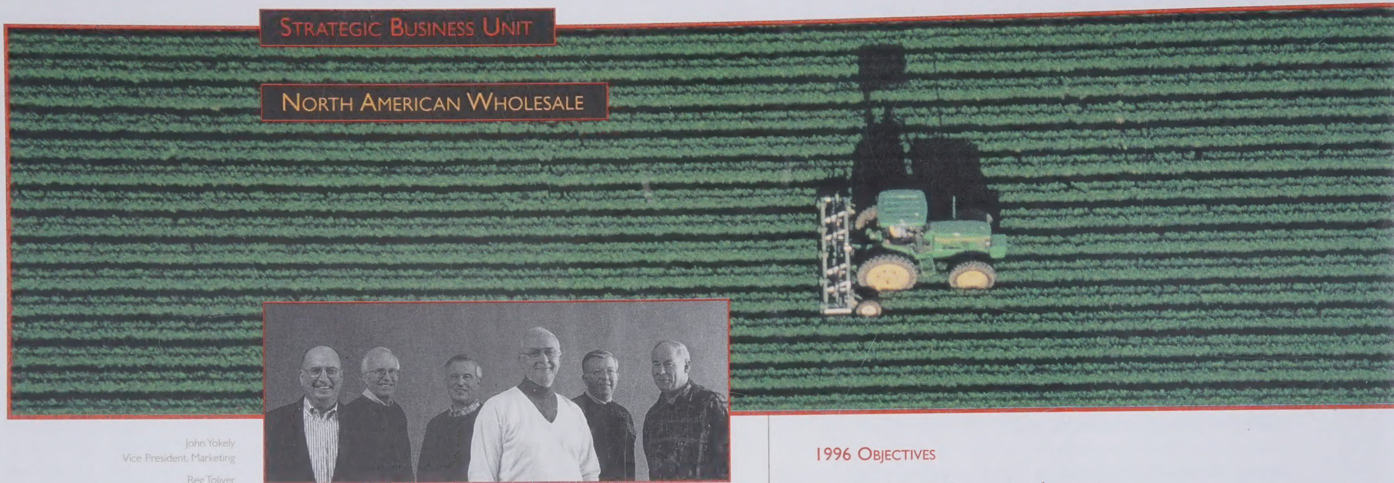
John M. Van Brunt
President and Chief
Executive Officer

G. Woody MacLaren
Chairman of the Board

March 3, 1997

Strategic Business Unit

North American Wholesale



John Yokely
Vice President, Marketing

Reg Toliver
Vice President, Alberta Production

Dave DeBiasio
Vice President, Energy & Raw Materials

Gary Carstens
Senior Vice President,
North American Wholesale

Chris Tworek
Vice President, Transportation & Logistics

Gordon Whitham
Vice President, Operations

Agrium has established a strong, strategic presence in the production, marketing and distribution of nitrogen, phosphate and potash fertilizers, as well as specialty products and micro-nutrients.

Our wholesale marketing and distribution systems, the most geographically diverse in the North American fertilizer industry, ensure timely delivery of Agrium products to customers.

1996 Objectives

- Strengthen our base in North America;
- Improve operating and cost efficiencies through facility expansions; and
- Improve efforts to support retailers in high return markets.

1996 Achievements

- Over the past two years, the Company has significantly expanded its nitrogen and potash fertilizer capacity, and improved production efficiencies at its phosphate fertilizer plant. Production operations at Joffre, where an expansion was completed in 1994, set an all-time record of 404,000 tonnes of ammonia.

- Major expansions were completed at Redwater and Carseland, increasing urea production capacity by 250,000 tonnes. Net ammonia production remains unchanged.
- Despite slightly decreased ammonia and urea production due to the four-year turnaround at Redwater, urea/ammonium nitrate solution (UAN), MAP and ammonium sulphate production set all-time records. Ammonia and urea production at Fort Saskatchewan also achieved all-time records.
- There was a comprehensive review of Agrium's sales and marketing organization; and
- The merger with Viridian Inc. created North America's largest nitrogen fertilizer producer and Western North America's largest phosphate producer.

1997 Objectives

- Increase potash production capacity;
- Realize transportation, distribution and operating synergies from the merger with Viridian; and
- Integrate our long term phosphate rock source strategies.

Glossary of Technical Terms

CO_2	Carbon Dioxide
Gigajoule (GJ)	a unit of energy equal to about 0.948 British Thermal Units (BTU). Natural gas contains approximately 1.055 GJ per thousand cubic feet
KCl	Potassium Chloride; the most common form of potash fertilizer
K_2O	Standard reference for grades of potash fertilizer. Grades are normally expressed as a percentage equivalent K_2O
Nutrient Grade	The nutrient content of fertilizers, expressed in terms of N–P–K–S N = percentage of elemental nitrogen P = percentage of phosphorous expressed as equivalent P_2O_5 K = percentage of potassium expressed as equivalent K_2O S = percentage of sulphur
P_2O_5	Standard reference for grades of phosphorous in phosphate fertilizers. Grades are normally expressed as a percent of equivalent P_2O_5.
Ton	2,000 pounds. Also referred to as a "short ton".
Tonne	2,204 pounds or 1,000 kilograms. Referred to as a "metric tonne".

Sales and Marketing

Marketing has made moderate changes to further emphasize and meet customer needs.

The altered sales organization will include four groups: Northern Region (Canadian agricultural sales); Western Region (U.S. agricultural sales west of the Rockies, including Montana and Wyoming); Central Region (U.S. agricultural sales east of the Rockies), and the Industry Sales Group, which includes all industrial, export, specialty product and controlled release urea sales.

Marketing will emphasize profitability by product groupings: ammonia, upgraded nitrogen, phosphate and potash. The marketing organization has been altered to implement product strategies. The four Product Marketing groups will work closely with Operations, Distribution and Sales to meet customer needs.

Raw Materials and Energy

Agrium's plants are major consumers of raw materials, including natural gas, hydrogen, nitrogen, electrical power, phosphate rock, potash, elemental sulphur and sulphuric acid.

Natural gas consumption at our plants is approximately 110 million GJ/yr, with Alberta-based plants representing 80 percent of total natural gas consumption. Due to the volatile nature of natural gas prices, Agrium's natural gas contracts are, for the most part, one-year terms with some longer term contracts in place with major suppliers. Gas pricing is both fixed and indexed with hedging employed to lock in favorable prices.

As natural gas prices increase, the cost competitiveness of Agrium's Joffre operations improves, due to its relatively low equivalent gas usage per tonne of ammonia produced.

Agrium plants also consume approximately 130 megawatts of electrical power annually. The majority, 80 percent, is consumed in Western Canada, where the cost of electricity is favorable. This provides the Company a price advantage over plants in many other jurisdictions.

Agrium purchases phosphate rock for our Conda operations on a cost-based formula from the nearby Rhone-Poulenc mine, and phosphate rock for our Redwater Phosphate Operations from Togo, Africa.

Our Redwater and Conda plants also purchase elemental sulphur from sources that are relatively close to each plant. The Conda plant has a favorable contract to purchase a portion of its on-site sulphuric acid from a nearby supplier, ensuring availability of sulphuric acid at prices that are competitive with on-site production costs.

Distribution

To meet the changing needs of our customers, while achieving cost efficiencies and logistical improvements in our production, transportation and storage network, Agrium continually evaluates and undertakes initiatives that work to improve our overall distribution capabilities.

Agrium utilizes rail tank cars, pipelines and trucks to transport liquid fertilizers such as anhydrous ammonia, UAN and phosphoric acids. Dry fertilizers such as urea, ammonium nitrate, potash and some phosphate products are transported by hopper cars, trucks, lake vessels and barges.

In early 1996, we augmented our fleet of leased rail cars by purchasing 100 hopper cars. In total, Agrium's rail fleet now includes over 1,300 tank cars and close to 900 covered hopper cars. The Company also utilizes approximately 30 percent of the capacity of the 900-mile (1,450 km) MAPCO pipeline, which transports anhydrous ammonia from our Borger nitrogen plant to U.S. Midwest markets.

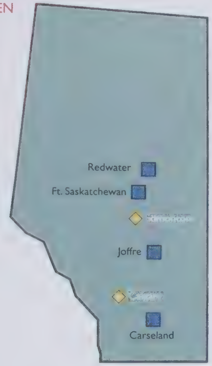
Our extensive ammonia storage capacity consists of 14 strategically located tanks with a total capacity of 415,000 tonnes, second to none in North America. Agrium also owns 10 dry fertilizer storage terminals and numerous leased facilities in key North American market areas. Total combined dry fertilizer storage capacity, owned and leased, is approximately 1.5 million tonnes. Late in 1996, the Company completed construction of a 27,000 tonne fertilizer storage terminal at Burley, Idaho and it has also acquired storage terminals in Stockton, California and Kennewick, Washington.

Following the merger with Viridian, Agrium is working with suppliers, carriers and customers to streamline communications systems and integrate business processes to increase efficiency, improve service levels and reduce costs.

Production Operations

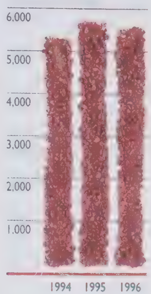
Alberta Nitrogen Operations

Nitrogen Production Facility

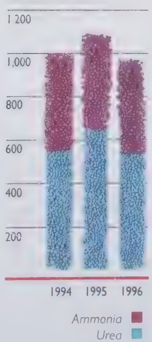


Eighty-five percent of our nitrogen production capacity is located in the province of Alberta, Canada, where natural gas prices have historically been significantly lower than in other parts of North America. Natural gas accounts for approximately 70 percent of the total cost to manufacture anhydrous ammonia, the basic building block for all nitrogen fertilizers.

Agrium Total Net Fertilizer Production



Carseland Production



Carseland, Alberta

Agrium's Carseland plant produces anhydrous ammonia and urea.

During a September shutdown, the Company completed a $32 million plant expansion of 100,000 tonnes per year (15,000 tonnes net) of ammonia capacity and 150,000 tonnes a year of urea capacity. To date, the urea plant has achieved higher production rates than any other plant of this expanded design in the world.

Fort Saskatchewan, Alberta

The Fort Saskatchewan plant produces anhydrous ammonia and urea.

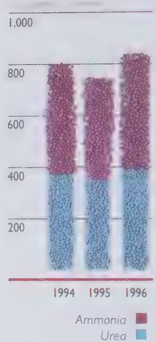
In 1996, the plant broke its previous ammonia production record by four percent and its previous urea production record by five percent. These major increases resulted from the successful addition of purchased hydrogen and good on-stream performance.

Joffre, Alberta

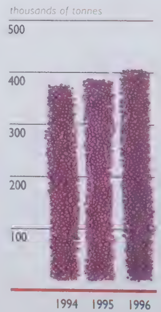
The Joffre plant produces anhydrous ammonia. The plant is one the world's most energy efficient ammonia production facilities.

Ammonia production reached a record level for the third consecutive year, eclipsing the 1995 production record by five percent.

Fort Saskatchewan Production



Joffre Ammonia Production



Redwater, Alberta

The Redwater Nitrogen complex, our largest nitrogen facility, produces ammonia, urea, ammonium nitrate, UAN and ammonium sulphate.

During 1996, the facility completed a major turnaround in its largest ammonia and urea plants after going four years without one. Immediately prior to the turnaround, the Ammonia II plant achieved a record run of 533 days without an outage.

A $9.2 million project to de-bottleneck urea was completed on schedule and under budget. Design production rates have been achieved ahead of schedule.

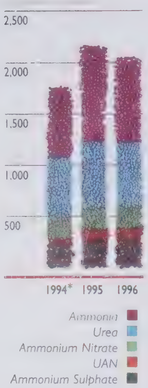
U.S. Nitrogen Operations

Agrium's nitrogen operations in the United States, due to their locations, have access to local cost advantages:

- Natural gas purchased from the Permian and Oklahoma basins is generally lower in cost than natural gas in other parts of the United States; and
- The MAPCO pipeline transports ammonia at about one third the cost of conventional forms of transportation.

As a result, Agrium is in a position to capitalize on the competitive nitrogen market by consistently remaining a low cost supplier.

Redwater Nitrogen Production



* *Redwater Nitrogen Operations was acquired April 1994. Numbers reflect 2nd through 4th quarter results.*

Borger, Texas

Located in the Texas Panhandle, Borger Nitrogen Operations produces anhydrous ammonia and feed and fertilizer grade urea for the U.S. Southwest cattle feed and fertilizer markets as well as supplying ammonia to Midwest agricultural markets and our Homestead operation via the MAPCO pipeline. The year saw improvements to the facility:

- A distributive control system was installed in the ammonia plant to improve efficiencies and reduce operation costs;
- The completion of an incremental expansion of both the ammonia and urea plants increased annual production capacity by some 70,000 tonnes of ammonia and 13,000 tonnes of urea; and
- A flare system was put into operation in the ammonia and urea processing areas as an environmental safeguard.

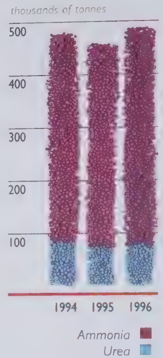
During the year, Borger produced its 10,000,000th ton of ammonia. Plans for 1997 include further automated control options for the urea plant and utility areas and improvements in ammonia loading capabilities.

Homestead, Nebraska

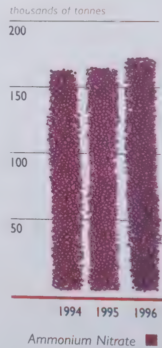
Located near Beatrice, Nebraska, the Homestead plant produces agricultural grade ammonium nitrate, utilizing ammonia received from our Borger, Texas production facility via the MAPCO pipeline.

Technological improvements to the nitric acid plant increased annual production capacity by 3,600 tonnes in 1996.

Borger Production



Homestead Production



Phosphate Operations

Conda, Idaho

During 1996, the Company fully integrated Conda Phosphate Operations, acquired in October 1995, into the organization, and set about achieving both production and environmental protection efficiencies.

A state-of-the-art cooling pond, providing double protection against leakage of acidic process water by utilizing layers of synthetic liner and compacted clay, was brought on line. A leak detection system was installed between the liners to provide early warning.

Conda also completed modifications to its sulphuric acid production process, resulting in a 25 percent production increase and significant energy savings. The modification will keep production costs competitive and reduce the dependency on outside suppliers in the future. Over the next few years, Conda will continue to focus on improving plant efficiencies through technological improvements.

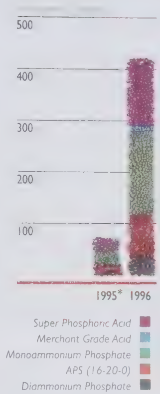
Redwater, Alberta

Redwater Phosphate Operations produces monoammonium phosphate.

For the past four years, this facility has achieved record production levels, with 1996 exceeding 1995 production by three percent.

During 1996, Redwater Phosphate expanded its phosphogypsum stacks to provide an additional five years of low cost storage capacity on the existing site.

Conda Phosphate Production



* Conda Phosphate Operations was acquired November, 1995. Numbers reflect 4th quarter results only.

Potash Operations

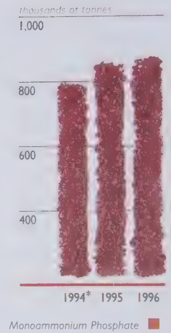
Vanscoy, Saskatchewan

Vanscoy Potash Operations supplies premium and standard grade potash to markets in North America and offshore. Premium grade potash, characterized by uniform larger granule size, is the product required by North American growers and is also increasingly in demand in other parts of the world.

During the summer of 1996, Agrium's potash production was interrupted by a four-month labor dispute, which was resolved in September with the signing of a three-year contract. Due to the strike, potash production for 1996 was 0.9 million tonnes, about two-thirds of the record 1.4 million tonnes produced in 1995. Despite this, the Company was able to satisfy customer needs from inventory on hand and product purchased for resale from third-party suppliers.

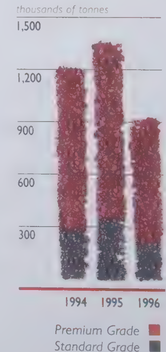
In March 1997, Agrium will complete the first phase of an expansion program that will increase annual production capability for premium grade potash from 1.0 to 1.3 million tonnes per year. Including standard grade, total fertilizer production capacity will increase from 1.4 million tonnes to 1.6 million tonnes per year when the $23 million project is fully completed in July.

Redwater Phosphate Production



* Redwater Phosphate Operations was acquired April 1994. Numbers reflect 2nd through 4th quarter results.

Vanscoy Potash Production



Strategic Business Unit

North American Retail

North American Retail markets agricultural products — primarily fertilizers and chemicals — to growers in 24 States in the Western, Midwest and Eastern United States. It also provides an extensive range of application and agronomic services tailored to the specific needs of growers.

Retail is comprised of Crop Production Services (CPS) and Western Farm Service (WFS). Together, CPS and WFS constitute one of the largest farm retailers in the United States

1996 Objectives

- Consolidate the retail headquarters of CPS and WFS in one location;
- Consolidate the administrative systems of CPS and WFS; and
- Restructure Agrium Retail's marketing organization.

1996 Achievements

- Retail head office was established in Denver, Colorado;
- WFS and CPS accounting systems have been consolidated, and their Human Resources function has been consolidated into Agrium; and
- The Unit's three operating regions have been consolidated into two: the East Region and the West Region.

1997 Objectives

- Continue to pursue moderate expansions and/or acquisitions that have synergies with current retail and wholesale assets;
- Fully implement the use of value-based management as a financial planning tool;
- Improve margins in the competitive California market; and
- Make a comprehensive review of the future of agricultural chemical use in production agriculture.

North American Retail stresses the development of relationships with growers. It differentiates its package of products and services through marketing strategies that emphasize personal service and commitment to the success of its customers.

Agrium's retail outlets in the Midwest and Eastern United States trade under the CPS name; in the Western United States, outlets trade under the WFS name. During 1996, Agrium added four outlets to the CPS group.

Since concluding the acquisition of WFS in 1995, efforts have been ongoing to integrate the two organizations. Common supervision of CPS and WFS marketing activities was initiated in 1995 and consolidation of the accounting and administrative functions was accomplished in 1996. While these changes were in progress, operating profits continued to be strong. The organization is prepared to capitalize on the synergies of the combined operation in 1997.

The retail business is a relationship business and the key to building positive relationships is providing extraordinary customer service. Extraordinary customer service, in turn, depends on outstanding employees committed to the customers' success. Consequently, North American Retail's mission statement is:

To be recognized as the leading agricultural retailer in each of our markets by attracting, motivating and rewarding outstanding employees.

In the coming years, North American Retail intends to pursue incremental expansion opportunities which have synergies with existing Retail and North American Wholesale facilities. It will continue to optimize returns by reassessing, rationalizing and consolidating its network. It anticipates a gradual evolution towards larger farm centers throughout its market area.

The retail business is consistently profitable, with minimal deviation from year to year. Its geographic diversity enables the Company to be less dependent on any one crop, or on weather conditions in any one part of the country. Accordingly, the retail organization balances Agrium's exposure to price volatility, provides the Company with an ear to the grower and offers a research link for New Products Research & Development.

Strategic Business Unit

International

Agrium's International Strategic Business Unit identifies and implements business opportunities that enhance shareholder value in emerging growth markets outside of North America. Our current focus is on the southern cone of South America and the Asia Pacific regions.

In Argentina, Agrium operates retail farm centers in Buenos Aires and Santa Fe provinces under the trade name Agroservicios Pampeanos (ASP).

1996 Objectives

- Achieve 40,000 tonnes retail fertilizer sales in Argentina;
- Demonstrate profitability of the four original Argentina farm centers completed in September of 1995; and
- Start construction of an import terminal facility in Argentina.

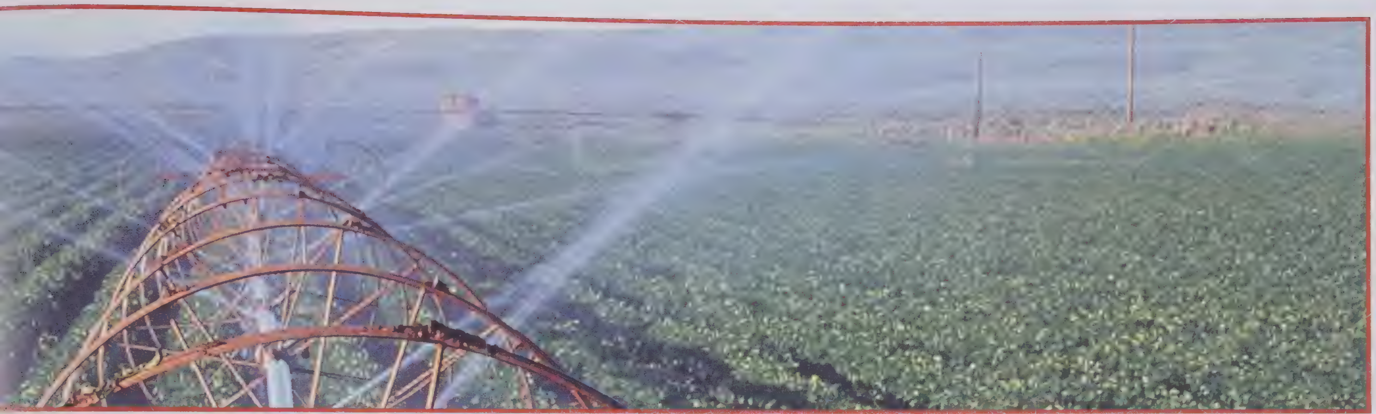
1996 Achievements

Operations

- Achieved 47,000 tonnes of fertilizer sales in Argentina, of which 40,000 tonnes were sold through the original four units;
- Opened four new farm centers for a total of eight units operational by year end;
- Started construction of 10 additional farm centers to be operational in the second quarter of 1997; and
- Demonstrated forecast pro-forma economic performance on the original four units.

Growth Initiatives

- Advanced the development of a major nitrogen production project in Argentina;
- Made progress with our partners in the development of an integrated power and nitrogen project in Vietnam. If negotiations lead to an attractive investment opportunity, Agrium



expects to participate in the nitrogen portion of this project. The consortium of Agrium, BHP, BP, StatOil, Mitsui and Tomen is targeting to complete negotiations with the Government of Vietnam and their state owned agencies and bring the project to a decision stage during 1997.

- Completed studies in preparation to acquire fertilizer projects in our targeted areas of the world;
- Established an office in Southeast Asia to support business development in this important region; and
- Established alliances in the Asia Pacific region for research and development of new products emerging from New Products Research & Development.

1997 Objectives

- Increase the total number of farm centers in Argentina to 18 by the end of the second quarter of 1997;
- Participate in the development of a world scale nitrogen facility in Argentina;
- With our partners, advance the development of the Vietnam nitrogen project to a decision stage by year end;
- Evaluate and advance a significant portfolio of other potential growth opportunities in both the South America and the Asia Pacific regions; and
- Complete the construction of the import terminal facility, which was delayed pending site selection for the new nitrogen project.

The world demand for food products is being driven by the increasing wealth of the large populations in Asia. These regions have limited capacity to expand food production and will increasingly have to rely on imports. Agrium believes that the food and fiber production in Argentina, Brazil, Vietnam, and certain other Asia Pacific countries will experience strong growth. These regions have major potential to increase yields through expansion of under-utilized land and increased usage of agricultural input products, particularly fertilizers.

Agrium is focusing on these regions because we strongly believe that the demands for our products and services will grow at a much greater pace in these locations than in other regions of the world.

Strategic Business Unit

New Products Research & Development

Agrium's New Products Research & Development Unit identifies and commercializes new products and services that focus on meeting our customers' present and future needs.

With a commitment to providing the best agricultural products, Agrium continues to forge collaborative and strategic partnerships with organizations such as universities, government research labs, private inventors and colleagues. Because of our strong ties with the academic world, much of our research is funded to develop products for tomorrow's markets.

Our involvement continues in Resource 21, an information services company that proposes to combine agricultural, aerospace and communications technology to develop remote sensing and geographic information systems that provide farmers with real-time information about soil and water conditions, crop emergence, crop health and vigor, and pest infestation.

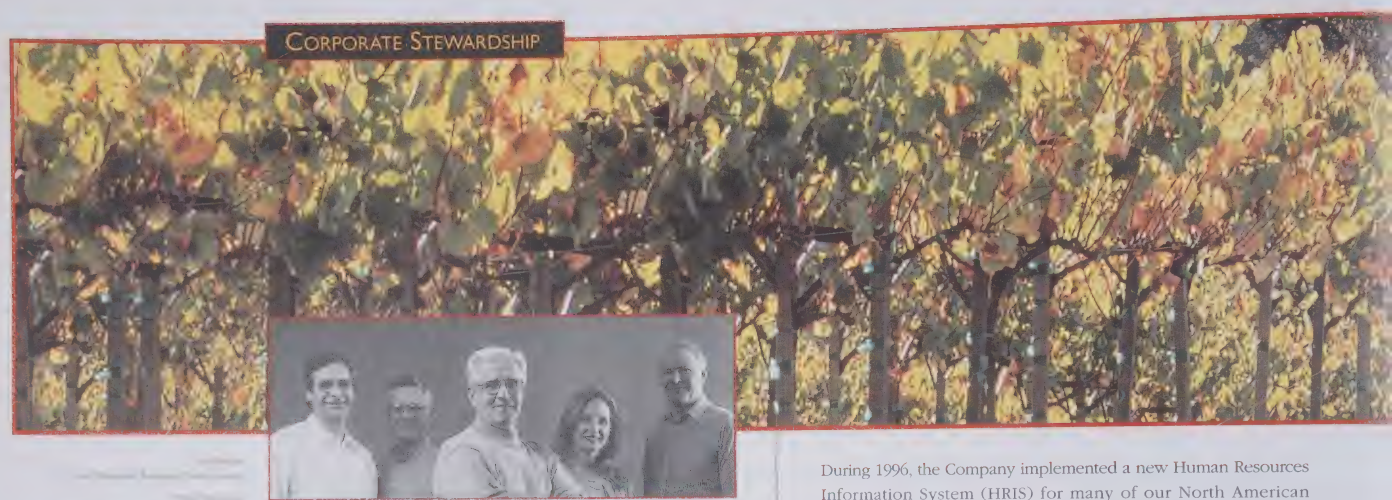
We also continue to work with Agriculture and Agri-Food Canada to develop an environmentally friendly biological control agent for *Sclerotinia sclerotiorum* in beans and canola. Commonly known as "white mold disease", it affects both yield and quality of many vegetable and oilseed crops worldwide. The first product is expected to be available commercially in Canada in 1998.

The Agronomic Management Information System (AgMIS) team is developing software to manage farm crop inputs. In 1996, a prototype was completed which bundles into a single package, the leading edge technologies of global positioning systems, remote sensing, soil mapping, topographical map overlays, yield monitoring and crop modeling. The pre-programmed applications in AgMIS will provide timely information for soils, water and nutrient management, pest and disease control and farm record keeping.

Two projects completed detailed assessment and advanced into development. The first project, a bacterium that controls root diseases in conifer seedlings, provides Agrium with a potential new product for the global forestry industry. The second project is a polymer-coated urea triggered to release nutrient according to a plant's physiological needs.

This type of controlled release fertilizer reduces nutrient loss while requiring fewer soil applications. Our Carseland nitrogen facility contains a controlled release pilot plant, while at Redwater, a full production plant produces two controlled release products.

In 1997, New Products Research & Development will emphasize the growth areas of fermentation, encapsulation, polymer coatings, rice agronomy and silviculture. We will expand our legume inoculants business and begin building new businesses in agricultural biologicals and precision agriculture. The merger with Viridian will enhance our expertise and create opportunities in the areas of controlled release fertilizers and encapsulation of urea, phosphorus, potassium, compound fertilizers, seeds and biologicals.



HUMAN RESOURCES

A key element of Agrium's success has always been the skill and dedication of its employees. At year end 1996, the Company employed 4,520 individuals — 2,912 in the United States, 1,512 in Canada and 96 in Argentina. This increase of 1,039 employees over year end 1995 is primarily due to the merger with Viridian. Other contributing factors are the addition of retail outlets in Argentina and the U.S.

Agrium's employment breakdown is as follows:

• North American Wholesale	1,705
• North American Retail	2,404
• International	102
• New Products Research & Development	46
• Corporate Enabling Services	263

During 1996, the Company implemented a new Human Resources Information System (HRIS) for many of our North American employee groups. During the coming year, we will expand the system to include other employee groups. By providing a common database, the new system integrates other Human Resource systems including training and development, performance assessment, career development and succession planning.

In keeping with Agrium's philosophy of rewarding employees based on performance, the Company introduced incentive programs to the majority of the employee groups. We are using gainsharing programs at the production operations and have instituted goal-based incentive programs for non-production employees.

In 1996, the Company awarded 80 scholarships to dependents of Agrium employees through our Higher Education Awards Program. These scholarships recognize outstanding academic performance in the final year of High School.

Environment & Safety

Environment

Agrium is committed to conducting all aspects of our business in an environmentally responsible manner. This commitment is outlined in the following statement, which will be published in a report on sustainable development by the United Nations:

Agrium's vision is to be a leader in helping to achieve a world of abundant food and fiber by being an environmentally responsible supplier of products and services to the food and fiber industries.

We promote partnerships with employees, customers, suppliers and neighbors to responsibly manage and use our products and services while, at all times, safeguarding public health and the environment. We also recommend balanced use of inputs to maximize yields and ensure the maintenance of soil quality, both of which are critical to sustainable agriculture.

We actively support the environmental activities of industry organizations such as the International Fertilizer Association, The Fertilizer Institute, the Potash and Phosphate Institute and the Canadian Fertilizer Institute.

We audit and continuously improve our processes, practices and policies.

We research and develop new products and services that sustain and preserve our shared environment, and conduct all aspects of our business in conformance with applicable laws, regulations and guidelines and, in the absence of such, utilize responsible practices at all locations.

During 1996, in working towards achieving this vision, Agrium:

- Continued research to develop an economic controlled release fertilizer to optimize crop nutrient intake;
- Participated in a project for high intensity agriculture which would maximize crop production and minimize environmental impact;
- Expanded agricultural activity in Argentina where there is great potential for increasing yield from land currently under cultivation;

- Achieved encouraging progress with the Solar Aquatics™ pilot project. Using a river ecosystem model, nitrogen is removed naturally from effluent. The process is intended for nitrogen removal from plant effluent and groundwater remediation.
- Installed collection and flare systems at two U.S. nitrogen operations. These systems prevent ammonia from escaping into the atmosphere.
- Continued groundwater and soil remediation work at the Homestead, Borger and Fort Saskatchewan operations, as well as at a number of retail facilities acquired in recent years; and
- Commenced an evaluation of the Company's internal environmental auditing program.

Safety

During 1996, Agrium had exemplary safety performance at the majority of its locations. In addition, the Company achieved several major safety milestones:

- Redwater plant employees worked five million hours without a lost-time injury; and
- Employees at both the Conda and Carseland plants worked one million hours without serious injury.

However despite these achievements, overall Agrium safety performance declined in 1996. Injuries requiring time from work increased over the previous year and unfortunately the Company experienced one work-related employee fatality resulting from a single vehicle accident on a public road.

Growing With Our Communities

Redwater and Fort Saskatchewan plants are leading members of the Fort Saskatchewan Regional Industrial Association, a non profit group representing the majority of manufacturing and processing companies in the region.

Since 1991, Agrium staff in Fort Saskatchewan have given lectures and laboratory demonstrations to Grade 8 students in a nearby school district, based on a teaching module developed in collaboration with teachers and complementary to the school curriculum.

Homestead Nitrogen Operations has entered a partnership with local authorities to ensure effective response in the event of emergency. As part of the plant's commitment to safety and the Environmental Protection Agency's Risk Management Program, Homestead provided funding for the eight-man Gage County, Nebraska, Emergency Response Team to attend a week-long tactical training program in Des Moines, Iowa.

Vanscoy Potash Operations hosts an annual outreach event attended by town councilors and administrators, local business people, school trustees, recreation board representatives and farmers who lease Agrium land.

Corporate Donations

Agrium responds to community needs by supporting registered charitable organizations and select not-for-profit organizations in the areas where we do business. These organizations must be compatible with the Company's core values, business objectives, activities and goals.

The goal of our corporate contributions program is to make philanthropic and social investments that enhance Agrium's image as a community leader and return something of value to the cities and towns where we have operations.

As a Company, we join our employees in providing significant support for the United Way at many locations. The Company has a policy of matching employee United Way contributions. For the past eight years, Calgary employees have been awarded Platinum Certificates signifying 90 percent or higher participation. Agrium employees also supported the United Way campaigns in Spokane, Washington; Gage County, Nebraska and Saskatoon, Saskatchewan.

Our Corporate Contributions Committee consists of members of Senior Management. We consider donations requests for organizations in the following sectors: Agriculture, Education, Environmental Protection, Health and Welfare, Civic, Youth & Sports, Arts & Culture.

The stewardship of the Company is the responsibility of Agrium's Board of Directors and five Committees of the Board.

Agrium conforms to all of the guidelines published by the Toronto Stock Exchange Committee on Corporate Governance.

Board Composition and Mandate

In addition to the responsibilities of the Board mandated by law, the Board considers and approves the Company's annual capital and operating budgets, and any significant changes to those budgets, all major acquisitions, disposition and financing transactions, as well as all matters involving the Company's securities. The Board has specifically assumed responsibility for the strategic plan, strategic planning process and succession planning and regularly considers the principal risks associated with the Corporation's business and how these risks are managed.

At the time of the merger, the size of the Board was increased to 10, which the Board considers to be an appropriate number for the size of the Company, and is sufficient to provide an appropriate mix of backgrounds and skills for the stewardship of the Company. A majority of the members of the Board are unrelated. Mr. John Van Brunt, the President and Chief Executive Officer is a related director. Mr. Grant Devine provides professional services to the Company from time to time for which he is compensated and, as a result, he may be considered to be a related director. All of the other members of the Board are unrelated.

Committees of the Board

The Board has five Committees: the Executive Committee, the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the newly-formed Environmental/Health and Safety Committee. The President and Chief Executive Officer is a member of the Executive Committee, which the Board considers to be important for the effective functioning of this Committee.

The mandates of the Committees are outlined below:

Executive Committee

G.W. MacLaren (chair)
N. Carragher
W.J. Robertson
J.M. Van Brunt

The Executive Committee acts in place of the full Board between meetings of the Board. Typically, however, matters of substance that are presented to the Executive Committee are referred to the full Board for further action. The Company had ten Board meetings and four Executive Committee meetings during 1996.

Audit Committee

N. Carragher (chair)
R.S. Cunningham
F.W. Proto
T.D. Stacy

This Committee is responsible for satisfying itself on behalf of the Board that the Company's financial statements are fairly presented and that appropriate systems of internal and external controls are in place and carried out. The Committee has specific terms of reference that explicitly mandate direct communication with internal and external auditors, overseeing management reporting, internal controls and management information, and reviewing risk management issues on behalf of the Board.

Compensation Committee

G.W. MacLaren (chair)
D.G. Devine
T.D. Stacy

This Committee is responsible for establishing the compensation policies for the executive officers of the Company and to set the compensation for the President and Chief Executive Officer. The Committee also reviews performance of senior management on the attainment of goals and objectives. The Compensation Committee periodically reviews, with the assistance of third party consultants, the compensation of the Company's directors in comparison to other Canadian corporations, as well as other members of the North American fertilizer industry, with a view to achieving competitive compensation levels. By the terms of its mandate, the Committee reports at least annually to the full Board on these matters.

Corporate Governance & Nominating Committee

T.D. Stacy (chair)
R.S. Cunningham
F.W. King
F.W. Proto

The continued development and refinement of the Company's approach to corporate governance issues has been delegated to the Corporate Governance and Nominating Committee. This Committee is also responsible for reviewing and recommending to the full Board for approval, the Company's report on compliance with the guidelines published by the Toronto Stock Exchange Committee on Corporate Governance. The Corporate Governance and Nominating Committee assesses the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.

Environmental/Health & Safety Committee

J.G. Temple (chair)
D.G. Devine
F.W. King
W.J. Robertson

The Environmental/Health & Safety Committee is responsible for ensuring that the Company's activities are conducted in environmentally responsible ways, focusing on the health and safety of our employees and neighbors.

The Board has developed position descriptions for the President and Chief Executive Officer and, through the Compensation Committee, annually approves the business objectives and key results for which the President and Chief Executive Officer is held responsible.

The Board has functioned, and believes that it can continue to function, independently of management. The Board's relationship with management has been one of two-way communication in which the Board listens to management's recommendations on issues but does not automatically accept them. The Chairman of the Board is not a member of management. The Board has adopted a system which enables an individual director to engage an outside advisor at the expense of the Company under appropriate circumstances.

Shareholder Communication

The Board has generally delegated communication with shareholders to the senior management of the Company, specifically the President and Chief Executive Officer, the Executive Vice President and the Chief Financial Officer, although the Chairman, other directors and members of management on occasion communicate with shareholders as well.

Expectations of Senior Management

The Company has a goals and objectives-based performance management system by which the Compensation Committee evaluates the goals and objectives set, as well as the performance against those measures. The formal review process is part of the compensation review process for the Company.

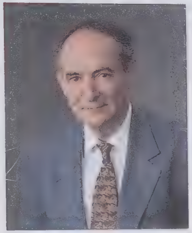
Board of Directors

G.W. MacLaren
Chairman
London, England

Chairman of Macluan Capital Corporation *(a private international investment company)*

Neil Carragher
Toronto, Ontario

Chairman of Corporate Finance Associates *(a mergers and acquisi[illegible]*



Ralph S. Cunningham
Houston, Texas

President and Chief Executive Officer of CITGO Petroleum Corporat[illegible] *(a marketing, r[illegible] and transportation company)*

D. Grant Devine
Regina, Saskatchewan

Farmer and Managem[illegible]

Frank W. King
Calgary, Alberta

President and Director of Metropolitan Investment Corp. *(a private venture capital and management company)*

Frank W. Proto
Regina, Saskatchewan

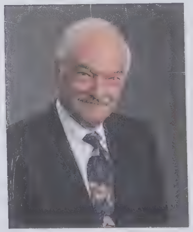
President and Chief Executive Officer of Wascana Energy Inc. *(a natural resource company)*

William J. Robertson
West Vancouver, B.C.

Senior Vice President and Chief Operating Officer of Cominco Ltd. *(a mining and smelting company)*

T. Don Stacy
Houston, Texas

President of Amoco Eurasia Petroleum Company *(an oil and gas company)*



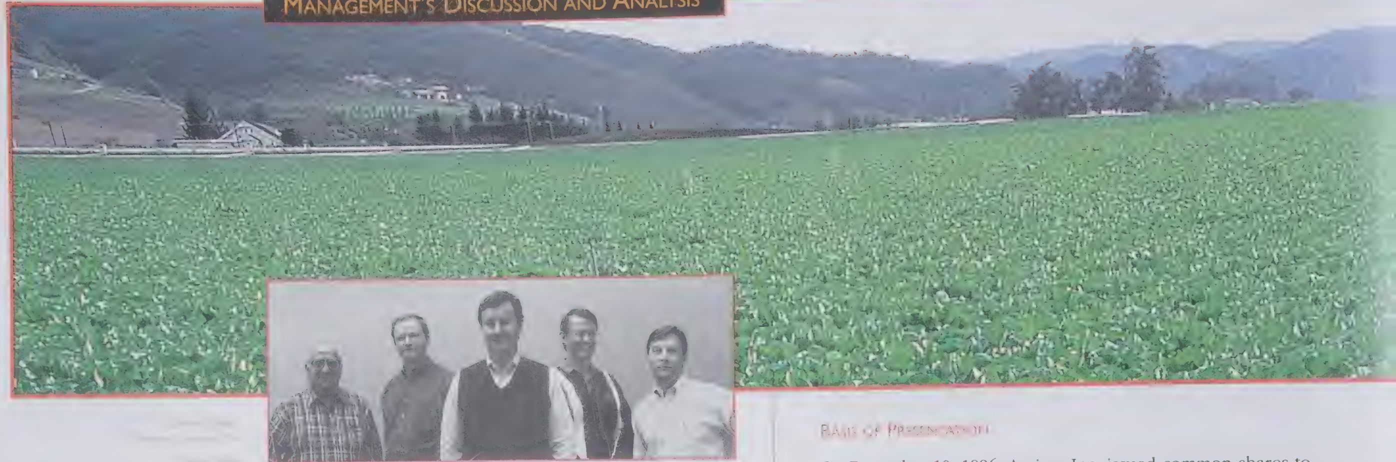
James G. Temple
Picton, Ontario

Private Business Consultant

John M. Van Brunt
Calgary, Alberta

President and Chief Executive Officer of the Corporation

Management's Discussion and Analysis



This discussion and analysis of results of operations and financial activities should be read in conjunction with the Consolidated Financial Statements and related notes. Amounts are stated in millions of U.S. dollars unless otherwise indicated

Basis of Presentation

On December 10, 1996, Agrium Inc. issued common shares to the shareholders of Viridian Inc. ("Viridian") in exchange for all the issued and outstanding shares of Viridian. The nature of the business combination is such that neither of the combining companies can be identified as the acquirer for accounting purposes. Therefore, the business combination has been accounted for using the pooling of interests method of accounting whereby the consolidated financial information reflects the assets, liabilities, and results of operations of Agrium and Viridian at the historical amounts recorded by these companies. Accordingly, this discussion and analysis of results of operations and financial activities has been prepared on the basis that Agrium and Viridian have been a single reporting entity for the periods covered. Combined results are reported in U.S. dollars as U.S. dollars are the unit of measurement for the majority of the combined entity's business transactions. Conforming adjustments have been used to convert all Viridian amounts to U.S. dollars.

The analysis of combined results of operations and financial activities is presented before discontinued operations. The discontinued operations include the operations transferred to Sherritt International Corporation ("Sherritt International") pursuant to a corporate reorganization of Viridian, the Canadian oil and gas business sold by Viridian to Barrington Petroleum Ltd. ("Barrington") and the advanced industrial materials business transferred by Viridian to The Westaim Corporation ("Westaim").

Other significant transactions affecting the years under discussion (1996, 1995 and 1994), are the retirement of substantially all of Viridian's high coupon debt, the purchases of Western Farm Services, Inc. ("WFS"), a U.S. retail marketing company, Nu-West Industries, Inc. ("Nu-West"), a U.S. phosphate fertilizer producer, and Imperial Oil's nitrogen and phosphate facility ("Redwater") located at Redwater, Alberta. The results of operations of WFS, Nu-West and Redwater have been included from their respective dates of acquisition.

The Corporation conducts its operations through four strategic business units: North American Wholesale, North American Retail, New Products Research & Development and International. North American Wholesale manufactures, distributes and sells fertilizers and related products to North American customers and export markets. North American Retail purchases, distributes and markets agricultural inputs, primarily fertilizers and chemicals and provides to growers a range of application and agronomic services that are tailored to their specific needs. New Products Research & Development researches, develops and commercializes new agricultural products and services. International identifies and develops agricultural-related business growth opportunities outside of North America. Currently, only the wholesale and retail business units are of sufficient size to warrant separate analysis and discussion.

Results of Operations

Agrium's segmented results of operations for the three years ended December 31, 1996, 1995 and 1994 were as follows:

	Years ended December 31		
	1996	1995	1994
North American Wholesale			
Net sales	$1,083.3	$ 979.6	$ 676.1
Cost of product	581.9	504.8	428.0
Gross profit	501.4	474.8	248.1
Expenses			
Selling	34.7	26.6	22.4
General and administrative	24.9	20.2	12.3
Depreciation and amortization	58.2	44.6	39.5
Royalties, resource and other taxes	4.4	5.6	7.5
Operating profit	$ 379.2	$ 377.8	$ 166.4
North American Retail			
Net sales	$ 780.8	$ 753.7	$ 365.4
Cost of product	565.6	550.4	261.2
Gross profit	215.2	203.3	104.2
Expenses			
Selling	152.6	143.8	71.7
General and administrative	8.0	3.4	2.7
Depreciation and amortization	21.9	19.2	10.1
Royalties, resource and other taxes	4.3	3.9	2.0
Operating profit	$ 28.4	$ 33.0	$ 17.7
Total operating profit	$ 407.6	$ 410.8	$ 184.1
Other	18.8	1.3	(9.0)
Interest expense	57.9	53.2	47.7
Debt retirement costs	64.2	–	–
Amalgamation costs	19.7	–	–
Income taxes	86.8	137.7	49.9
Earnings from continuing operations	$ 160.2	$ 218.6	$ 95.5
Cash provided by continuing operations	$ 228.7	$ 305.7	$ 171.5

Consolidated

After tax earnings from continuing operations before debt retirement and amalgamation costs for the year ended December 31, 1996 were $211.5 million ($1.54 per share), a decrease of $7.1 million (3%) from the $218.6 million ($1.64 per share) earned in 1995. Cash provided by continuing operations before debt retirement and amalgamation costs was $312.6 million ($2.27 per share) in 1996, an increase of $6.9 million (2%) compared with the $305.7 million ($2.29 per share) in 1995.

After tax earnings from continuing operations in 1995 were $218.6 million compared with $95.5 million in 1994. Cash from continuing operations was $305.7 million in 1995 compared with $171.5 million in 1994. The increase in cash flow was due to significantly increased earnings before non cash items in 1995.

Charges of $19.7 million ($11.8 million after tax) for severance and lease termination associated with the amalgamation and $64.2 million ($39.5 million after tax) related to the debt retirement have been made against earnings in the fourth quarter of 1996. The debt retirement costs were incurred in connection with the amalgamation and the retirement of almost all of Viridian's outstanding high coupon debt on December 23, 1996.

Discontinued operations include Viridian's former businesses of mining and refining, oil and gas, advanced industrial materials and related research and development activities.

Consolidated net earnings after debt retirement and amalgamation costs and discontinued operations for the 1996 year totalled $151.1 million ($1.09 per share), a 39% decrease from earnings of $246.3 million ($1.85 per share) in 1995. Cash provided from operations, before changes in non-cash working capital, was $228.7 million ($1.66 per share) for 1996, a 25% decrease compared with $305.7 million ($2.29 per share) in 1995.

Interest expense increased by $4.7 million in 1996 over 1995, due primarily to the increased debt levels during the year resulting from the purchase of Nu-West. The increase in interest expense of $5.5 million in 1995 over 1994 reflects the inclusion of WFS debt for a full year and Nu-West debt for three months following its acquisition in October 1995.

General and administrative expenses increased in 1996 by $8.5 million (26%) due to the Viridian name change, general corporate matters, and the expansion of international operations.

Other expenses in 1996 include expenditures related to International, Research and Development related items, costs related to the four month strike by unionized employees at the potash operation, and losses on disposal of fixed assets.

The decrease in the effective income tax rate to 35.1% in 1996 from 38.7% in 1995 was primarily from recognition of previously unrecognized tax pools. The increase in the effective income tax rate of 38.7% in 1995 from 34.3% in 1994 reflects a reduction in the relative benefit of a declining pool of available tax deductions in excess of accounting deductions as income levels increased.

North American Wholesale

North American Wholesale net sales and gross profits by product line:

	Years ended December 31					
	1996		1995		1994	
	Net Sales	Gross Profit	Net Sales	Gross Profit	Net Sales	Gross Profit
Nitrogen	$ 667.5	$366.3	$623.6	$353.1	$461.6	$186.2
Potash	78.3	32.2	83.7	46.4	70.9	36.3
Phosphate	273.6	86.9	214.6	56.7	109.6	22.6
Other Products	63.9	16.0	57.7	18.6	34.0	3.0
	$1,083.3	$501.4	$979.6	$474.8	$676.1	$248.1

North American Wholesale gross profit for the 1996 year increased 6% from 1995. This increase reflected the acquisition of Nu-West, higher nitrogen margins and increased sales volumes, which partially offset the negative effects of the four month strike at the potash operation, a planned shutdown required to complete the expansion of the Carseland nitrogen operation and an extended turnaround at the Borger nitrogen operation. The cost of nitrogen products increased during 1996 due to higher average natural gas costs, particularly in the U.S. The Corporation enjoys an advantage over its U.S. based competitors from significantly lower natural gas input costs to its Alberta nitrogen production facilities where the majority of its capacity is located. Phosphate operations also contributed to the higher revenues and gross profit following the acquisition of Nu-West early in the fourth quarter of 1995.

In 1995, a combination of increased nitrogen margins from higher selling prices, favorable natural gas costs and record potash production and sales volumes produced strong wholesale profits together with the inclusion of a full year of operations of the Redwater phosphate and nitrogen facility which was acquired at the end of the first quarter of 1994.

Nitrogen products' gross profit of $366.3 million represents a $13.2 million (4%) increase from 1995. The favorable variance was primarily due to increased net sales of $43.9 million (7%) partially offset by an increase of $30.7 million (11%) in cost of product sold. Higher ammonia sales volumes increased net sales and production costs by $11.5 million and $4.9 million respectively, while higher prices, particularly for urea, increased net sales by $30.0 million which more than offset production cost increases of $15.1 million.

Nitrogen products' gross profit for 1995 amounted to $353.1 million, an increase of $166.9 million (90%) over 1994. Higher prices, particularly urea, and to a lesser extent ammonia contributed to the increase in net sales by $140.8 million. Production costs, which benefited from lower natural gas prices, also contributed favorably to improved gross profit.

Potash gross profit of $32.2 million for 1996 represents a decrease of $14.2 million (31%) from 1995. A four month strike by unionized employees at the potash operations resulted in lower net sales of $5.4 million accompanied by an increase of $8.8 million in cost of product sold as the Company was required to purchase potash on the open market to meet commitments. Potash production levels were lower by 438,000 tonnes (32%).

Potash gross profit for 1995 amounted to $46.4 million, up $10.1 million (28%) over 1994. Higher net sales of $12.8 million were offset by higher cost of product sold of $2.7 million. Approximately $7.0 million of the increase in net sales relates to higher product prices and $5.8 million relates to a 7% increase in volumes. Higher prices and sales volumes reflect strong demand from both North American and offshore markets.

Phosphate gross profit for 1996 was $86.9 million, up $30.2 million (53%) from 1995. Higher net sales of $59.0 million were partially offset by a corresponding $28.8 million increase in cost of product sold. Nu-West, acquired in October 1995, accounted for $19.6 million of the gross profit increase over 1995, with the remaining $10.6 million increase due to higher prices.

Phosphate gross profit for 1995 amounted to $56.7 million, an increase of $34.1 million (151%) over 1994. The increase can be attributed to the acquisition of Nu-West in October 1995, the acquisition of Redwater in March 1994, and higher sales prices.

Selling expenses as a percentage of net sales have remained relatively constant for the three year period ended December 31, 1996. General and administrative expenses for 1996 totalled $24.9 million, an increase of $4.7 million (23%) from the prior year. Depreciation and amortization for the year was $58.2 million, an increase of $13.6 million (30%). These increases reflect the acquisition of Nu-West in October of 1995 and an increase in depreciable assets due to capital additions to production facilities.

North American Retail

In January 1995, the Corporation's retail base doubled with the acquisition of WFS. Together with Crop Production Services, Inc. ("CPS"), these operations encompass over 200 farm centres and generate the majority of their revenues from the sale of fertilizers and chemicals to growers.

North American Retail sales totalled $780.8 million and generated gross profit of $215.2 million during the 1996 year. This compares with sales of $753.7 million and gross profit of $203.3 million for 1995. Gross profit, as a percentage of sales, increased marginally in 1996, primarily reflective of more favorable weather conditions in western U.S. market regions during the 1996 spring planting season compared with 1995, and improved margins in all product groups.

North American Retail sales totalled $753.7 million and generated gross profit of $203.3 million in 1995. This compares with sales of $365.4 million and gross profit of $104.2 million in 1994. The inclusion of WFS accounted for the large majority of the 1995 increase over 1994. Gross profit, as a percentage of sales, declined from approximately 29% in 1994 to approximately 27% in 1995, primarily reflective of the change in product mix resulting from additional sales to the high intensity farming areas of California, which include a higher proportion of chemical sales which traditionally generate lower margins.

North American Retail selling, general and administrative expense for 1996 was $160.6 million compared with $147.2 million for 1995. The $13.4 million (9%) increase was primarily attributable to the acquisition of twelve additional farm centres in late 1995 and early 1996, higher employee incentive payments, and higher sales volumes. Depreciation and amortization was $21.9 million compared with $19.2 million for 1995, reflecting increased depreciable assets.

Investing and Financing Activities

In January 1995, the Corporation acquired 100% of the common shares of WFS in exchange for $31.5 million of 5.5% cumulative redeemable convertible preferred shares which were converted into common shares in March 1996. The Corporation's investment in CPS was acquired for $26.3 million in three stages, which increased ownership from 33 ⅓% in 1993 to 100% in 1995. In the fourth quarter of 1995, the Corporation acquired all the common shares of Nu-West for a cash consideration of $98.9 million, and during 1996, repurchased or redeemed all of the 290,344 outstanding preferred shares of Nu-West for $47.0 million.

On November 24, 1995, as part of a reorganization, the Corporation transferred to Sherritt International, then a wholly-owned subsidiary, $157.7 million of cash together with its interest in the metals joint venture (mining, processing, refining and marketing of commodity cobalt and nickel); its interest in the exploration for and production of oil and gas outside Canada; its engineering and metallurgical technologies business, together with rights in respect of all associated intellectual property; and certain other Cuban assets and investments. In return the Corporation received 71,846,704 restricted voting shares of Sherritt International.

Following the reorganization, the Corporation distributed its entire investment in Sherritt International in connection with a rights offering to its shareholders, at the net book value of its net assets of $155.4 million, after deducting the net proceeds of the rights offering of $243.0 million. The fair value was estimated to be in excess of net book value.

In December 1995, the Corporation completed a $175.0 million private placement debt financing with U.S. institutional investors. The unsecured debt was issued in tranches of $100.0 million of 7.06% senior notes maturing in 2010, and $75.0 million of 6.86% senior notes maturing in 2007. Approximately $100.0 million of the proceeds was used to repay higher cost secured debt of CPS, WFS and Nu-West with the balance added to working capital.

During 1995, 3,656,250 outstanding warrants for the purchase of the Corporation's common shares were exercised at an exercise price of $7.26 per common share for total proceeds of $26.5 million.

Pursuant to a normal course issuer bid initiated in March 1995, the Corporation repurchased 951,600 common shares in 1996 for $13.1 million at an average cost of $13.74 per share compared with the repurchase of 2,348,400 common shares for

$26.5 million in 1995 at an average cost of $11.41 per share. Cash dividends of $61.3 million were paid on common shares and preferred shares in 1996 compared with dividends of $8.5 million in 1995 and $6.5 million in 1994. The increase in 1996 is mostly attributable to a special cash dividend of Cdn.$1.00 per share declared by Viridian in June 1996.

During May of 1996, the Corporation completed the sale of its Canadian oil and gas business to Barrington effective January 1, 1996 for $60.4 million in cash and four million share purchase warrants of Barrington. The Corporation recorded a net loss after taxes of $5.7 million upon this sale which is included in and reported as discontinued operations net of income taxes for 1996.

On June 26, 1996, the Corporation reorganized to create Westaim, a new wholly-owned subsidiary, and transferred cash, its advanced industrial materials business and related research and development activities and other industrial business to Westaim. The book value of net assets of Westaim were distributed to the Corporation's shareholders for $247.8 million including cash of $136.6 million. Fair value was estimated to be in excess of book values.

On January 31, 1997, the Corporation initiated a substantial issuer bid to repurchase up to 13.9 million of its common shares, representing approximately 10% of its outstanding common shares, on a modified dutch auction basis at prices not in excess of Cdn.$23.00 per share nor less than Cdn.$20.00 per share for an aggregate maximum purchase amount of $233.4 million. On February 25, 1997 (expiration date of the offer), the Corporation repurchased 13.9 million of its common shares at Cdn.$20.00 per share. With the successful completion of this program, the reduced share base is anticipated to be accretive to per-share earnings in 1997.

Liquidity and Capital Resources

Capital Resources

At December 31, 1996, working capital was $48.2 million, including cash and marketable securities of $52.5 million.

Effective December 20, 1996, the Corporation amended its revolving term credit facility to increase the amount available thereunder from Cdn.$125.0 million to $392.8 million and drew down $193.2 million. As at December 31, 1996, the Corporation had lines of credit available to it aggregating $488.4 million pursuant to its term and operating facilities, of which $298.4 million was drawn.

In October 1995, a group of U.S. banks agreed to provide Agrium U.S. Inc. with an unsecured revolving credit facility with a termination date of October 5, 2000. The facility, guaranteed by the Corporation, consists of a base revolving credit of up to $70.0 million and an excess revolving credit of up to $30.0 million for the period May 1 and ending on November 30 of each year during the term of the agreement. Agrium U.S. Inc. may borrow at interest rates related to U.S. prime rates or the London inter bank offered rates. The revolving credit facility requires the Corporation to maintain certain financial ratios and other covenants. As at December 31, 1996 this facility was unutilized.

On January 28, 1997, the Corporation obtained long term financing in the form of $75.0 million 7.0% notes due 2004, $100.0 million 7.7% debentures due 2017, and $125.0 million 7.8% debentures due 2027. The net proceeds of the debt offerings will be used to repay outstanding debt under the Corporation's revolving term credit facility.

Capital Requirements

Requirements for working capital are subject to substantial seasonal fluctuation. Typically, sales volumes are highest in the spring with a secondary peak in the fall. Fertilizer inventories increase in late fall, winter and summer periods. Accounts receivable are high in late spring and early summer. Management considers debt facilities adequate to fund these seasonal fluctuations.

Capital expenditures in 1996, excluding business acquisitions, were $152.9 million compared with $88.2 million in 1995 and $38.3 million in 1994. Capital expenditures during 1996 include $45.9 million to sustain wholesale operations, $75.6 million to enhance fertilizer production facilities, $24.8 million for retail assets and $6.6 million of other expenditures.

Management expects that capital expenditure levels in each of 1997 and 1998 of approximately $47.0 million and $18.0 million will be required to sustain wholesale operations and retail operations, respectively. In addition, the Corporation expects to spend a total of approximately $59.0 million in 1997 and $37.0 million in 1998 principally in North American Wholesale to expand and enhance existing facilities.

Scheduled principal repayments on long term debt amount to $2.6 million in 1997 and $2.0 million in 1998.

Management believes that cash flow will be more than adequate to meet capital expenditure and debt service requirements during the next two years.

The Corporation leases bulk tank and hopper rail cars, and most of its off-site dry storage facilities, under short to medium term operating leases. It also contracts third party pipeline, truck, lake vessel and barge facilities to transport its products. The aggregate annual minimum payments under these operating and office leases are as follows: 1997: $24.5 million, 1998: $15.1 million, 1999: $10.4 million, 2000: $8.5 million. The Corporation does not anticipate any material interruption in its current operating leases or in its ability to lease, renew leases or contract for such facilities and services.

The Corporation has declared and paid dividends in each of the periods under review. The declaration and amount of future common share dividends are decided by the Board of Directors and are subject to earnings and financial requirements, covenants in debt financing agreements and other conditions prevailing at the time.

Outlook

With world grain inventories remaining low and commodity prices above 10-year averages, the outlook for 1997 appears promising. The weather-shortened application season during the fall of 1996, especially in the western corn belt, western U.S. and western Canada, bodes well for the forthcoming spring season. The Corporation's enhanced distribution capability in these market areas, a result of the recent Viridian merger, will be a major benefit. Management expects to begin realizing synergies in the areas of transportation and distribution from the merger in the first quarter of 1997.

The process of merging the two companies continues at a rapid pace, with extensive efforts currently under way to identify and field the best team utilizing best business practices. The Corporation expects to be in the position to quantify these synergies by the end of the first quarter in 1997.

Operating problems experienced in 1996 are not anticipated to be repeated in 1997. The incremental expansion programs at the Corporation's Borger and Carseland nitrogen production facilities have been completed and the incremental expansion at the potash operation is on schedule for completion in 1997. The Redwater nitrogen production facility completed its expansion and four-year turnaround in 1996 and no shutdowns are anticipated in 1997. All facilities have been operating well to date in 1997, and all labor contracts extend to 1998 and beyond.

The Corporation will benefit from lower debt servicing costs as a result of the restructuring of debt assumed with the Viridian merger.

Financial Sensitivities

The approximate net earnings sensitivity to fluctuations in wholesale prices for nitrogen phosphate and potash, the cost of natural gas, potash production volume and currency exchange rates are shown in the following table based on actual levels of operation in 1996. A change in one factor may compound or offset another. Since the table does not consider their inter-relationship, it should not be used to predict results.

Factor	Change in Factor	Net Earnings Impact
Nitrogen		
Price of ammonia	$5.00/tonne	$ 3.5
Price of urea	$5.00/tonne	$ 6.3
Price of ammonium sulphate	$5.00/tonne	$ 1.0
Price of ammonium nitrate	$5.00/tonne	$ 1.9
Price of urea ammonium nitrate solution	$5.00/tonne	$ 1.2
Cost of natural gas	$ 0.10/GJ	$ 6.3
Potash		
Price of potash	$5.00/tonne	$ 3.5
Production volume	100,000 tonnes/yr	$ 2.9
Phosphate		
Price of phosphate P_20_5 equivalent (annualized)	$5.00/tonne	$ 1.9
Exchange rate		
From Cdn.$ to US$	Cdn. $0.01	$ 0.9

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The consolidated financial statements and all information contained in this annual report are the responsibility of management and the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgements based on currently available information. The Corporation has established an internal audit program and accounting and reporting systems supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. The financial information presented throughout this annual report is consistent with the financial statements.

KPMG, an independent firm of chartered accountants, has been appointed by the shareholders as external auditors of the Corporation. The Auditors' Report to the Shareholders, which describes the scope of their examination and expresses their opinion, is presented herein.

The Audit Committee of the Board of Directors, whose members are not employees of the Corporation, meets with management, the internal auditors and the independent auditors to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval.

J.M. Van Brunt
President and
Chief Executive Officer

G.A. Milne
Vice President, Finance and
Chief Financial Officer

Calgary, Canada
March 3, 1997

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Agrium Inc. as at December 31, 1996 and 1995 and the consolidated statements of operations, retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1996. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1996 in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants

Calgary, Canada
March 3, 1997

CONSOLIDATED BALANCE SHEETS

(Thousands of U.S. dollars)	AS AT DECEMBER 31 **1996**	1995
Current assets		
Cash and short term investments	**$ 52,468**	$ 346,527
Accounts receivable	**259,143**	366,846
Inventories (Note 6)	**235,826**	302,337
Prepaid expenses	**47,279**	30,650
	594,716	1,046,360
Capital assets (Note 7)	**821,405**	862,503
Goodwill (Note 4)	**62,225**	64,447
Other assets (Note 8)	**101,957**	66,140
	$1,580,303	$2,039,450
Current liabilities		
Bank indebtedness (Note 9)	**$ 298,353**	$ 59,530
Accounts payable and accrued liabilities	**252,102**	285,467
Dividends payable	**3,667**	4,006
Income and other taxes (recovery)	**(10,231)**	37,275
Principal repayments on long term debt (Note 10)	**2,624**	4,427
	546,515	390,705
Long term debt (Note 10)	**184,339**	587,967
Other liabilities (Note 11)	**71,014**	40,356
Deferred income taxes	**67,089**	97,538
Minority interest (Note 17)	**10,261**	58,452
	879,218	1,175,018
Shareholders' equity		
Share capital (Note 12)	**431,148**	600,134
Contributed surplus	**50,733**	50,733
Retained earnings	**203,696**	196,468
Cumulative translation adjustment	**15,508**	17,097
	701,085	864,432
	$1,580,303	$2,039,450

Commitments (Note 13)

See accompanying notes

APPROVED BY THE BOARD:

Director

Director

CONSOLIDATED STATEMENTS OF OPERATIONS

(Thousands of U.S. dollars)	YEARS ENDED DECEMBER 31 1996	1995	1994
Net sales	**$1,813,897**	$1,670,138	$1,022,425
Cost of product	**1,109,313**	989,233	666,569
Gross profit	**704,584**	680,905	355,856
Expenses			
Selling	**195,964**	174,640	91,942
General and administrative	**40,653**	32,189	25,738
Depreciation and amortization	**80,802**	64,959	49,426
Research and development	**2,509**	2,987	317
Royalties, resource and other taxes	**11,497**	14,292	9,526
Interest on long term debt	**53,162**	49,795	46,057
Other interest	**4,723**	3,438	1,612
Interest income and other	**(15,638)**	(17,721)	(14,188)
	373,672	324,579	210,430
Earnings from continuing operations before undernoted items and income taxes	**330,912**	356,326	145,426
Debt retirement costs	**64,155**	–	–
Amalgamation costs	**19,746**	–	–
Earnings from continuing operations before income taxes	**247,011**	356,326	145,426
Income taxes (Note 15)	**86,800**	137,736	49,922
Earnings from continuing operations	**160,211**	218,590	95,504
Discontinued operations, net of income taxes (Note 5)	**(9,158)**	27,742	26,169
Net earnings	**$ 151,053**	$ 246,332	$ 121,673
Earnings per common share (Note 16)			

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Thousands of U.S. dollars)	YEARS ENDED DECEMBER 31 1996	1995	1994
Retained earnings – beginning of year	**$ 196,468**	$ 133,321	$ 18,788
Net earnings	**151,053**	246,332	121,673
	347,521	379,653	140,461
Excess paid over book value on repurchased common shares	**(10,490)**	(18,930)	–
Dividends declared	**(61,669)**	(8,880)	(7,140)
Distributions to shareholders of discontinued operations (Note 5)	**(65,408)**	(155,375)	–
Merger costs (Note 4)	**(6,258)**	–	–
Retained earnings – end of year	**$ 203,696**	$ 196,468	$ 133,321

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Thousands of U.S. dollars)	YEARS ENDED DECEMBER 31 **1996**	1995	1994
Operating:			
Earnings from continuing operations	**$160,211**	$218,590	$ 95,504
Items not involving cash			
Depreciation and amortization	**80,802**	64,959	49,426
Deferred income taxes (recovery)	**(12,286)**	22,164	26,551
Cash provided by continuing operations before changes in non-cash working capital	**228,727**	305,713	171,481
Net change in non-cash working capital (Note 18)	**(44,051)**	19,135	(44,750)
Cash provided by continuing operations	**184,676**	324,848	126,731
Cash provided by (used in) discontinued operations	**18,099**	(18,741)	116,324
Cash provided by operating activities	**202,775**	306,107	243,055
Investing:			
Acquisition of subsidiaries, net of cash acquired	**(47,043)**	(130,809)	(293,288)
Capital assets – continuing operations	**(152,897)**	(88,188)	(38,296)
Capital assets – discontinued operations	**–**	(68,540)	(65,496)
Proceeds from disposal of assets and investments	**12,814**	1,381	916
Disposal of oil and gas interests	**60,416**	–	–
Cash received (paid) on distributions to shareholders of discontinued operations (Note 5)	**(136,552)**	85,271	–
Other	**(9,042)**	(6,023)	(12,204)
Cash used in investing activities	**(272,304)**	(206,908)	(408,368)
Financing:			
Common shares	**3,378**	4,201	212,708
Preferred shares	**–**	31,500	–
Bank indebtedness	**238,823**	6,895	(12,464)
Issue of long term debt	**–**	175,000	198,808
Repayment of long term debt	**(405,431)**	(117,442)	(70,470)
Dividends paid	**(61,300)**	(8,457)	(6,457)
Cash provided by (used in) financing activities	**(224,530)**	91,697	322,125
Increase (decrease) in cash position	**(294,059)**	190,896	156,812
Cash position beginning of year	**346,527**	155,631	(1,181)
Cash position end of year	**$ 52,468**	$346,527	$155,631

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts are stated in thousands of U.S. dollars unless otherwise indicated

1. DESCRIPTION OF THE BUSINESS

Agrium Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on December 31, 1992. The Corporation owns and operates a total of six nitrogen production facilities in Alberta, Texas and Nebraska, two phosphate production facilities in Alberta and Idaho, one potash mine and mill in Saskatchewan and the related wholesale distribution and storage system. The Corporation also owns a retail business of crop production inputs in Canada, the United States and Argentina. The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's accounting policies are in accordance with accounting principles generally accepted in Canada and except as outlined in Note 20 are in accordance with accounting principles generally accepted in the United States.

Basis of Presentation
On December 10, 1996, Agrium Inc. issued common shares to the shareholders of Viridian Inc. ("Viridian") in exchange for all the issued and outstanding shares of Viridian. The nature of the business combination was such that neither of the combining companies could be identified as the acquirer for accounting purposes. Therefore, the business combination has been accounted for using the pooling of interests method of accounting whereby the consolidated financial statements reflect the combined historical carrying values of the assets, liabilities and shareholders' equity, and the historical operating results of Agrium Inc. and Viridian Inc. for each of the periods presented. The reporting periods and the accounting policies for the two companies have been conformed in the consolidated financial statements.

Reporting Currency
As a result of increased business activity in the United States, the U.S. dollar has become the unit of measurement for the large majority of the Corporation's business transactions. Accordingly, the U.S. dollar has been adopted as the Corporation's reporting currency effective January 1, 1995. Comparative financial information previously expressed in Canadian dollars has been restated in U.S. dollars, in accordance with Canadian generally accepted accounting principles, using the December 31, 1994 exchange rate of Cdn. $1.4028.

Foreign Currency Translation
The Corporation's non U.S. operations are considered self-sustaining and are translated into U.S. dollars using the current rate method. Under this method, assets and liabilities are translated at year end exchange rates and items included in the statements of operations are translated at weighted average rates. The resulting translation gains and losses are deferred as a separate component of shareholders' equity until there is a realized reduction in the net investment.

Cash and Short Term Investments
Short term investments with an original maturity of three months or less are considered to be cash equivalents and are reflected at their fair value. Amounts are stated in thousands of U.S. dollars unless otherwise indicated.

Inventories
Inventories consisting of fertilizer and chemicals, are valued at the lower of average cost and net realizable value. Operating supplies are valued at average cost less allowances for obsolescence.

Capital Assets
Capital assets are carried at cost and include the cost of renewals, betterments and capitalized interest. Maintenance and repair expenditures are expensed as incurred. When assets are sold or abandoned, the recorded costs and related accumulated depreciation are removed from the accounts and any gains or losses are included in earnings.

Depreciation is calculated on the straight-line method using rates based on the estimated service lives of the respective assets ranging from three to thirty-five years. Depreciation is not provided on major additions until commencement of commercial operation.

Goodwill and Other Assets
Goodwill represents the excess of the purchase price over the fair value of the net assets acquired, and is being amortized on a straight line basis over twenty years. Patents acquired are amortized over their estimated useful lives of ten years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be other than temporary based upon expected cash flows of the related acquired business.

Pension Costs

Defined benefit pension plans are funded by the Corporation and pension expense and obligations are determined using the projected benefit method of actuarial valuation prorated over the projected length of employee service. Pension surpluses and deficiencies, experience gains or losses and the effects of changes in plan assumptions are amortized on a straight-line basis over the expected average remaining service life of the relevant employee group.

Contributions by the Corporation to defined contribution pension plans are expensed as incurred.

Post Retirement Benefits

Post retirement benefit costs are expensed as incurred.

Research and Development

Research and development costs are expensed as incurred.

Site Restoration and Reclamation

The operations of the Corporation are affected by environmental regulations, including those for future removal and site restoration costs. The Corporation's policy is to meet standards set by relevant legislation or industry practice.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and depreciated depending on their future economic benefit. Estimated future site restoration and reclamation costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related capital assets.

Comparative Figures

Certain comparative figures have been reclassified to conform with current year's presentation.

3. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

Risk Management Program

The nature of the Corporation's operations expose the Corporation to fluctuations in natural gas prices and exchange rates. The Corporation monitors and, when appropriate, utilizes financial instruments to manage its exposure to these risks. These instruments are subject to fluctuation in prices and rates, but by virtue of being hedges of an actual transaction or future natural gas requirements, any gains or losses will be offset by gains or losses on the hedged transaction. The Corporation is exposed to credit related losses in the event of non performance by counterparties to the financial instruments. The Corporation only deals with major financial institutions and does not anticipate non-performance by the counterparties.

The Corporation is exposed to exchange rate fluctuations on its Canadian dollar cash flow. The Corporation periodically uses financial instruments, including forward exchange contracts and currency options, to manage this exposure. At December 31, 1996 the Corporation has sold forward US$43 million at rates ranging from Cdn. $1.33620 to Cdn. $1.34120. Unrealized gains and losses on these contracts are not material. At December 31, 1996 and 1995, there were no currency options outstanding.

The Corporation has a natural gas price risk management program to increase the certainty of expected cash flows through the use of a combination of fixed and variable priced contracts with suppliers and through the use of natural gas options forward and future contracts. At December 31, 1996, only fixed price purchase contracts were outstanding (Note 13).

The fair value of other financial instruments, including cash and short term investments, accounts receivable and accounts payable, approximate their carrying values.

Concentrations of Credit Risk

The Corporation is subject to credit risk through trade receivables and short-term investments. Although a substantial portion of its debtors' ability to pay is dependent upon the agribusiness economic sector, credit risk with respect to trade receivables is minimized by a large customer base and its geographic dispersion.

Short-term cash investments are placed with well capitalized, high quality financial institutions and in short duration corporate and government debt securities. By policy, the Corporation limits the amount of credit exposure in any one type of investment instrument.

4. MERGERS AND ACQUISITIONS

(a) In December 1996, the Corporation merged with Viridian Inc., a company that manufactures an extensive range of fertilizers at its nitrogen and phosphate plants in Alberta. On December 10, 1996 the Corporation issued 72,842,670 common shares, at a rate of 0.975 Agrium Inc. common shares for each Viridian Inc. common share. At December 31, 1996, the former shareholders of Agrium Inc. held 48.1% and the former shareholders of Viridian Inc. held 51.9% of the 140,377,207 outstanding common shares of the combined company. On December 10, 1996, the closing market price of the Agrium Inc. common shares was $14.00 per share.

A summary of the book values of the assets and liabilities at the date of the merger is as follows:

	Agrium Inc.	Viridian Inc.
Assets:		
Current assets	$595,875	$445,770
Property, plant and equipment	456,085	365,320
Other assets	149,262	14,920
Less:		
Current liabilities	481,726	114,108
Long term debt	175,842	405,997
Other liabilities	49,560	31,715
Deferred taxes	32,749	34,340
Net assets	$461,345	$239,850

The operating results of Agrium Inc. and Viridian Inc. for the year ended December 31, 1996 were as follows:

	Agrium Inc.	Viridian Inc.
Net sales	$1,273,010	$ 540,887
Gross profit	439,916	264,668
Earnings from continuing operations	82,577	77,634
Net earnings	82,577	68,476

Costs of $10.1 million ($6.3 million net of tax), consisting primarily of professional and advisory fees were incurred to effect the business combination and have been charged to retained earnings in the current period. Additional restructuring costs of $19.7 million ($11.8 million net of tax), comprised primarily of severance and relocation, were charged against earnings and are presented in the statement of operations for the year ended December 31, 1996.

(b) On November 6, 1995, the Corporation completed its acquisition of all the common shares of Nu-West for a cash consideration of $98.9 million. Nu-West is a United States producer and wholesale marketer of phosphate fertilizer products. The acquisition was accounted for using the purchase method. The total purchase consideration of $98.9 million was allocated as follows:

Cash	$ 225
Non-cash working capital	25,787
Capital assets	120,438
Other assets	13,430
Goodwill	64,023
Deferred income taxes	5,905
Long term debt	(73,775)
Other liabilities	(8,950)
Minority interest	(48,174)
Purchase price	$98,909

(c) On January 5, 1995, the Corporation acquired all of the common shares of WFS, a United States retailer of crop production inputs. The purchase consideration consisted of $31.5 million of 5.5% cumulative redeemable convertible preferred shares and $0.2 million of cash acquisition costs. The acquisition was accounted for using the purchase method. The total consideration of $31.7 million was allocated as follows:

Cash	$ 86
Non-cash working capital	(3,869)
Capital assets	50,183
Other assets	3,564
Goodwill	1,631
Deferred income taxes	264
Long term debt	(20,124)
Purchase price	$ 31,735

(d) On March 31, 1994, the Corporation acquired the fertilizer production assets and assumed certain related liabilities of Imperial Oil for a total consideration of $287.8 million. The acquired assets consisted of production plants in Redwater, Alberta; distribution terminals in Bloom, Manitoba and Claver, Saskatchewan; a 10% equity interest in Neptune Bulk Terminals (Canada) Ltd., which operates a salt water shipping terminal in Vancouver, British Columbia; and the manufacturing facilities of Cascade Fertilizers (1990) Limited located in Alberta and British Columbia. The total consideration of $287.8 million was allocated as follows:

Investment	$ 2,424
Non-cash working capital	76,939
Capital assets	217,722
Other liabilities	(9,267)
Purchase price	$287,818

(e) On September 30, 1993, the Corporation increased its share ownership in CPS, a United States retailer of corp production inputs, from 33 ⅓% to 86 ⅔%. The consideration included $15.1 million of cash and a note payable of $5.6 million. On January 5, 1994, the Corporation acquired an additional 12 ⅓% of CPS from minority shareholders for $5.1 million. This acquisition increased total equity ownership to 99% and was accounted for using the purchase method. Prior to September 30, 1993, the investment in CPS was accounted for using the equity method. In January 1995, the Corporation purchased the remaining 1% of CPS for $0.5 million. The total consideration paid for CPS amounted to $26.3 million.

5. DISCONTINUED OPERATIONS

On June 26, 1996, the Corporation reorganized to create The Westaim Corporation ("Westaim"), a new wholly-owned subsidiary, and transferred cash, its advanced industrial materials business and related research and development activities and other industrial businesses to Westaim. The book value of net assets of Westaim were distributed to the Corporation's shareholders for $247.8 million including cash of $136.6 million. Fair value was estimated to be in excess of book values.

During May of 1996 the Corporation completed the sale of its Canadian oil and gas business to Barrington Petroleum Ltd. effective January 1, 1996 for $60.4 million in cash and four million share purchase warrants of Barrington Petroleum Ltd. The Corporation recorded a net loss after taxes of $5.7 million upon this sale which is included in, and reported as, discontinued operations net of income taxes for 1996.

As part of a reorganization, on November 24, 1995, the Corporation transferred to Sherritt International Corporation ("Sherritt International"), then a wholly-owned subsidiary, $157.7 million of cash together with its interest in the metals joint venture (mining, processing, refining and marketing of commodity cobalt and nickel); its interest in the exploration for and production of oil and gas outside Canada; its engineering and metallurgical technologies business, together with rights in respect of all associated intellectual property; plus certain other Cuban assets and investments. In return, the Corporation received 71,846,704 restricted voting shares of Sherritt International.

Following the reorganization, the Corporation distributed its entire investment in Sherritt International in connection with a rights offering to its shareholders at the net book value of its net assets of $155.4 million, after deducting the net proceeds of the rights offering of $243.0 million. The fair value was estimated to be in excess of net book value.

The results of discontinued operations are summarized as follows:

	1996	1995	1994
Net sales	**$ 63,227**	$366,022	$295,302
Earnings (loss) before income taxes	**$(13,089)**	$ 42,111	$ 39,442
Income taxes (recovery)	**(3,931)**	14,369	13,273
Net earnings (loss)	**$ (9,158)**	$ 27,742	$ 26,169

6. INVENTORIES

	1996	1995
Fertilizers and chemicals	**$209,153**	$170,973
Operating supplies	**26,673**	48,612
Discontinued operations	**–**	82,752
	$235,826	$302,337

7. CAPITAL ASSETS

	1996	1995
Land, buildings and equipment	**$1,357,807**	$1,331,803
Less accumulated depreciation	**580,399**	602,940
	777,408	728,863
Construction in progress	**43,997**	29,613
Discontinued operations	**–**	104,027
	$ 821,405	$ 862,503

8. OTHER ASSETS

	1996	1995
Investment in retail dealerships	**$ 13,230**	$ 9,202
Patents, trademarks and supply contracts	**11,374**	12,938
Receivable under environmental indemnity agreements (Note 11)	**32,225**	–
Advances and loans	**18,487**	17,460
Other	**26,641**	26,540
	$101,957	$ 66,140

9. BANK INDEBTEDNESS

Agrium Inc.

Effective December 20, 1996, the Corporation amended its unsecured Canadian dollar four year term loan facility to increase the amount available thereunder from Cdn. $125.0 million to $392.8 million. The credit agreement requires the term facility to be reduced by $192.8 million on January 31, 1997, and an additional $100.0 million on October 1, 1997. Additional lines of credit include a Cdn. $35.0 million demand operating loan facility. Borrowing may be made under both facilities in the equivalent amount in U.S. dollars. Interest rates on Canadian dollar advances are based on the prevailing bankers' acceptance rates plus 42 basis points. Interest on U.S. dollar advances is at either the London inter bank offered rate ("LIBOR") or a base rate established by the bank plus variable spreads, at the election of the Corporation. The loan agreements require the Corporation to maintain certain financial ratios and comply with other covenants. Amounts drawn at December 31, 1996 aggregated $298.4 million.

Agrium U.S. Inc.

In October 1995, a group of U.S. banks agreed to provide Agrium U.S. Inc. with an unsecured revolving credit facility with a termination date of October 5, 2000. The facility, guaranteed by the Corporation, consists of a base revolving credit of up to $70.0 million and an excess revolving credit of up to $30.0 million for the period May 1 and ending on November 30 of each year during the term of the agreement. Agrium U.S. Inc. may borrow at interest rates related to U.S. prime rates or the London inter bank offered rates. The revolving credit facility requires the Corporation to comply with certain financial ratios and other covenants. As at December 31, 1996 this facility was unutilized.

10. LONG TERM DEBT

	1996	1995
Unsecured senior notes (a)	**$175,000**	$175,000
Unsecured notes and debentures (b)	**8,377**	404,023
Other	**3,586**	13,371
	186,963	592,394
Principal repayments due within one year	**2,624**	4,427
	$184,339	$587,967

(a) In December 1995, the Corporation completed a $175.0 million private placement with U.S. institutional investors. The unsecured senior notes were issued in two tranches: $75.0 million at a coupon rate of 6.86% maturing December 29, 2007 with five equal annual principal repayments beginning December 29, 2003 which results in a 10 year average life and $100.0 million at a coupon rate of 7.06% maturing December 29, 2010 with seven equal annual principal repayments beginning December 29, 2004 which results in a 12 year average life. These notes require the Corporation to comply with certain financial ratios and other covenants.

(b) Pursuant to an offer to purchase for cash and consent solicitation on December 19, 1996, the Corporation received tenders of $199.3 million of its $200.0 million 9.75% note due 2003, Cdn. $128.1 million of its Cdn. $135.0 million 11% debentures due 2004 and $99.6 million of its $100.0 million 10.5% debentures due 2014. The purchase price for each $1,000 principal amount of securities validly tendered and accepted for payment was $1,081 for the 9.75% note, Cdn. $1,165 for the 11% note and $1,238 for the 10.5% debenture, plus accrued interest totalling $9.2 million. An additional payment of $5.00 per $1,000 principal amount of securities was made to holders who delivered consents to the amendments to the applicable indentures on or prior to December 16. Non-tendered securities will remain outstanding, subject to the provisions of the indentures which were amended pursuant to the consents received in the consent solicitation.

11. OTHER LIABILITIES

The Corporation accrues a provision for estimated site restoration and reclamation costs when environmental remedial efforts are probable and costs can be estimated. In determining a provision, the Corporation utilizes the most timely information available regarding past experience, available technology, regulations in effect and the timing of remediation efforts.

At December 31, 1996, the accumulated provision in Other Liabilities includes $0.8 million for the Borger, Texas operation, $1.4 for the Homestead, Nebraska operation, $8.5 million for the Conda, Idaho operation, $21.5 for the Redwater and Fort Saskatchewan, Alberta operations and $32.2 million for retail facilities located throughout the United States. The Corporation has environmental indemnity agreements with prior owners of the retail facilities. At December 31, 1996, the environmental indemnities, as recorded in Other Assets (Note 8), totalled $32.2 million.

The Corporation's operations are affected by federal, provincial, state and local laws and regulations regarding environmental protection. The outcome or timing of the full impact, if any, of legislative or regulatory developments on future operations is not currently estimable.

12. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares issuable in series. The Corporation split its issued and outstanding common shares on a three-for-one basis through the issuance on January 5, 1996 of a stock dividend of two shares for each common share held to shareholders of record on December 29, 1995. The common shares outstanding, or available upon conversion of preferred shares, have been restated accordingly.

(a) *Common Shares*	Number of Shares	Amount
Balance as at January 1, 1994	96,189,468	$ 284,579
Issued for cash	12,750,000	72,222
Public issue	18,037,500	141,080
Conversion and redemption of subordinated notes	5,268,879	44,368
Issued on exercise of stock options	372,016	1,786
Issued on employee incentive plans	50,992	390
Balance as at December 31, 1994	132,668,855	544,425
Repurchased for cash	(2,348,400)	(7,081)
Issued on exercise of stock options	542,874	3,009
Issued on employee incentive plans	169,970	1,735
Exercise of warrants	3,656,250	26,546
Balance as at December 31, 1995	134,689,549	568,634
Repurchased for cash	(951,600)	(3,022)
Issued on exercise of stock options	2,674,443	14,593
Issued on employee incentive plans	425,265	4,631
Conversion of preferred shares to common shares	3,539,550	31,500
Share issue costs	–	(2,769)
Distribution to shareholders of discontinued operations (Note 5)	–	(182,419)
Balance as at December 31, 1996	140,377,207	$ 431,148

(b) *Preferred Shares*		
Issued on acquisition of WFS in 1995	1,179,850	$ 31,500
Balance as at December 31, 1995	1,179,850	31,500
Conversion of preferred shares to common shares	(1,179,850)	(31,500)
Balance as at December 31, 1996	–	$ –

Stock Option Plan

The Option Plan of the Corporation authorizes the Board of Directors to grant options to directors, officers and employees of the Corporation. Options to be issued under the Plan must have exercise prices not less than, and be for terms not longer than, those permitted by the applicable rules of any stock exchange on which the common shares are listed. At December 31, 1996, options outstanding were exercisable at prices ranging from Cdn. $4.17 to Cdn. $18.65 per share and have expiry dates ranging from April 21, 2003 to December 10, 2006. Stock option transactions for the respective years were as follows:

	1996	1995
Outstanding, beginning of year	**4,447,613**	3,883,506
Granted	**3,675,818**	1,355,475
Exercised	**(2,674,443)**	(542,874)
Cancelled	**(81,625)**	(248,494)
Outstanding, end of year	**5,367,363**	4,447,613

Shareholder Rights Plan

In May 1995, the Corporation's shareholders approved a shareholder rights plan where one right was issued for each outstanding common share. The rights remain attached to the shares and are not exercisable until the occurrence of certain designated events. The shareholder rights plan expires March 1, 1998.

13. COMMITMENTS

At December 31, 1996, the aggregate annual minimum payments under operating leases in each of the next five years are: 1997 – $24.5 million; 1998 – $15.1 million; 1999 – $10.4 million; 2000 – $8.5 million; 2001 – $6.9 million.

The Corporation has fixed prices for natural gas purchases for 1997 through agreements with its suppliers with payments of $27.5 million in 1997.

14. PENSIONS

The Corporation maintains defined benefit and defined contribution pension plans which cover all salaried employees. These plans are both contributory and non-contributory with regard to participants. Both types of plans include staff and hourly participants. Benefits from defined benefit plans are based on either years of service and compensation or a rated amount for each year of service. The pension costs are determined annually by independent actuaries and include current service costs and a provision for the amortization of prior service costs. Pension costs for current service are charged to earnings in the year incurred. The liability for past service is charged to earnings over the remaining service lives of the employees.

The Corporation has established an unfunded, non-contributory retirement income plan for senior management which provides a supplementary pension benefit. The Plan is provided for by annual charges to earnings sufficient to meet the projected benefit obligation.

At December 31, 1996, actuarial estimates of the accumulated benefit obligation amounted to $49.8 million (1995 – $59.3 million) and the actuarial value of plan assets calculated on adjusted market value was $ 50.5 million (1995 – $54.8 million).

Total 1996 pension expense including past service costs were $7.1 million (1995 – $9.1 million; 1994 – $8.2 million).

15. INCOME TAXES

The major factors which cause variations from the expected combined federal and provincial statutory Canadian income tax rate of 44.97%; (1995 – 45.07%; 1994 – 44.82%) were the following:

	1996	1995	1994
Income before tax	**$247,011**	$356,326	$145,426
Statutory rate	**44.97%**	45.07%	44.82%
Income tax at statutory rates	**$111,081**	$160,608	$ 65,179
Differences in foreign tax rates	**(7,055)**	(6,056)	(4,483)
Tax deductions in excess of book deductions	**(6,266)**	(3,771)	(4,115)
Manufacturing and processing allowance	**(10,519)**	(15,793)	(5,064)
Other	**(441)**	2,748	(1,595)
Income tax provision	**$ 86,800**	$137,736	$ 49,922
Current	**$ 99,086**	$115,572	$ 23,371
Deferred (recovery)	**(12,286)**	22,164	26,551
	$ 86,800	$137,736	$ 49,922

As at December 31, 1996, capital and other assets include $42.4 million (1995 – $41.5 million) of costs which are not deductible by the Corporation for income tax purposes.

16. EARNINGS PER COMMON SHARE

Basic and fully diluted earnings per common share are calculated based on the weighted average number of common shares outstanding during the year of 137.7 million and 143.0 million (1995 – 132.9 million and 143.0 million; 1994 – 123.0 million and 136.0 million) after recognition of the share split described in Note 12 as though it had occurred on January 1, 1994.

The rate of imputed interest used to calculate fully diluted earnings per share is the average rate of interest earned by the Corporation on its investments of 4.9% (1995 – 6.8%; 1994 – 5.2%).

	1996	1995	1994
Basic earnings per common share (in dollars)			
continuing operations	**$1.16**	$1.64	$0.78
net earnings	**$1.09**	$1.85	$0.99
Fully diluted earnings per common share (in dollars)			
continuing operations	**$1.13**	$1.53	$0.70
net earnings	**$1.07**	$1.72	$0.89

17. MINORITY INTEREST

	1996	1995
Preferred shares of subsidiary	**$ –**	$48,174
Other	**10,261**	10,278
	$10,261	$58,452

During 1996, the Corporation acquired all of the outstanding preferred shares of Nu-West (Note 4(b)).

18. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash working capital excluding working capital acquired (Note 4) is as follows:

	1996	1995	1994
Decrease (increase) in current assets			
Accounts receivable	**$ 72,279**	$(38,810)	$(79,121)
Inventories	**(14,106)**	(24,405)	(31,550)
Prepaids	**(18,698)**	(4,191)	(7,720)
Increase (decrease) in current liabilities			
Accounts payable and accrued liabilities	**(30,488)**	65,425	65,979
Income and other taxes	**(53,038)**	21,116	7,662
Net change in non-cash working capital	**$(44,051)**	$ 19,135	$(44,750)

Interest of $52.8 million, $48.3 million and $35.0 million was paid during 1996, 1995 and 1994, respectively.

Income tax of $185.7 million, $45.8 million and $10.2 million was paid during 1996, 1995 and 1994, respectively.

19. SEGMENTED INFORMATION

The Corporation's primary activity is the production and wholesale marketing of ammonia, urea, ammonium nitrate, ammonium sulphate, potash and phosphate fertilizer products and the retail sales of fertilizers, chemicals and other agricultural inputs and services. The Corporation operates principally in Canada and the United States. New Products Research & Development, International and other business segments are not of sufficient size to warrant separate presentation herein.

Sales between geographic regions are accounted for at prices which approximate fair market value and are eliminated on consolidation.

Canadian net export sales in 1996 amounted to $328.8 million (1995 – $317.7 million; 1994 – $228.9 million).

By Geographic Region *(in millions of dollars)*	1996	1995	1994
REVENUE			
Net sales of products produced in Canada			
Canada	**$ 525.1**	$ 518.2	$ 388.3
United States	**262.3**	256.3	180.2
Other	**66.5**	61.4	48.7
	853.9	835.9	617.2
Sales in the United States	**929.3**	830.9	405.2
Other	**30.7**	3.3	–
	$1,813.9	$1,670.1	$1,022.4
EARNINGS FROM CONTINUING OPERATIONS (before debt retirement costs, amalgamation costs and income taxes)			
Canada	**$ 302.6**	$ 318.6	$ 141.2
United States	**84.9**	89.3	49.9
Interest and other	**(56.6)**	(51.6)	(45.7)
	$ 330.9	$ 356.3	$ 145.4
DEPRECIATION AND AMORTIZATION			
Canada	**$ 41.2**	$ 40.4	$ 35.8
United States	**38.6**	24.4	13.6
Other	**1.0**	0.2	–
	$ 80.8	$ 65.0	$ 49.4
CAPITAL EXPENDITURES (on continuing operations)			
Canada	**$ 96.4**	$ 48.4	$ 23.9
United States	**48.3**	36.4	14.4
Other	**8.2**	3.4	–
	$ 152.9	$ 88.2	$ 38.3
IDENTIFIABLE ASSETS			
Canada	**$ 808.6**	$1,001.1	$ 787.2
United States	**663.7**	688.7	255.5
Other	**45.8**	12.9	3.7
Continuing Operations	**1,518.1**	1,702.7	1,046.4
Discontinued Operations	**–**	272.3	507.7
	$1,518.1	$1,975.0	$1,554.1

By Industry Segment
(in millions of dollars)

	1996	1995	1994
REVENUE			
Wholesale	**$1,083.3**	$ 979.6	$ 676.1
Retail	**780.8**	753.7	365.4
Intersegment eliminations	**(50.2)**	(63.2)	(19.1)
	$1,813.9	$1,670.1	$1,022.4
EARNINGS FROM CONTINUING OPERATIONS			
(before debt retirement costs, amalgamation costs and income taxes)			
Wholesale	**$ 375.3**	$ 377.4	$ 173.0
Retail	**31.3**	34.2	17.5
Interest and other	**(75.7)**	(55.3)	(45.1)
	$ 330.9	$ 356.3	$ 145.4
DEPRECIATION AND AMORTIZATION			
Wholesale	**$ 58.2**	$ 44.6	$ 39.5
Retail	**21.9**	19.2	10.1
Other	**0.7**	1.2	(0.2)
	$ 80.8	$ 65.0	$ 49.4
CAPITAL EXPENDITURES			
(on continuing operations)			
Wholesale	**$ 121.5**	$ 60.3	$ 26.9
Retail	**24.8**	24.0	9.4
Other	**6.6**	3.9	2.0
	$ 152.9	$ 88.2	$ 38.3
IDENTIFIABLE ASSETS			
Wholesale	**$1,010.8**	$1,322.6	$ 770.3
Retail	**362.3**	335.4	159.3
Other	**145.0**	44.7	116.8
Continuing Operations	**1,518.1**	1,702.7	1,046.4
Discontinued Operations	**–**	272.3	507.7
	$1,518.1	$1,975.0	$1,554.1

20. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). These principles differ in certain respects from those applicable in the United States ("U.S. GAAP"). The approximate impact on the Corporation's financial statements is summarized below:

Consolidated Statements of Operations	1996	1995	1994
Earnings from continuing operations – Canadian GAAP	**$160,211**	$218,590	$ 95,504
Adjustments net of tax:			
Post retirement benefits (a)	**(1,082)**	(307)	(510)
Capitilized interest costs (b)	**763**	–	3,343
Debt retirement (c)	**39,455**	–	–
Merger Costs (d)	**(6,258)**	–	–
Income taxes (e)	**(2,405)**	(595)	(9,116)
Earnings from continuing operations – U.S. GAAP	**$190,684**	$217,688	$ 89,221
Discontinued operations (net of tax) – Canadian GAAP	**$ (9,158)**	$ 27,742	$ 26,169
Ceiling test adjustment to oil and gas properties (f)	**14,528**	8,789	(14,541)
Depreciation and depletion of oil and gas properties (f)	**–**	8,799	8,319
Discontinued operations (net of tax) – U.S. GAAP	**$ 5,370**	$ 45,330	$ 19,947
Net earnings – Canadian GAAP	**$151,053**	$246,332	$121,673
Earnings before extraordinary item – U.S. GAAP	**$196,054**	$263,018	$109,168
Extraordinary item – debt retirement costs	**(39,455)**	–	–
Net earnings – U.S. GAAP	**$156,599**	$263,018	$109,168
Primary earnings per common share (in dollars) – U.S. GAAP			
Continuing operations	**$ 1.38**	$ 1.63	$ 0.73
Earnings before extraordinary item	**$ 1.42**	$ 1.97	$ 0.89
Net earnings	**$ 1.14**	$ 1.97	$ 0.89
Fully diluted earnings per common share (in dollars) – U.S. GAAP			
Continuing operations	**$ 1.34**	$ 1.52	$ 0.66
Earnings before extraordinary item	**$ 1.38**	$ 1.84	$ 0.80
Net earnings	**$ 1.11**	$ 1.84	$ 0.80

(a) Post retirement benefits under Financial Accounting Standards No. 106, are accrued under U.S. GAAP but are expensed as incurred under Canadian GAAP.

(b) Under U.S. GAAP, a portion of interest costs incurred must be capitalized as part of the cost of unproved properties and major development projects. There is no such requirement under Canadian GAAP and it is not the Company's policy to do so.

(c) Under Canadian GAAP, expenses incurred to refinance long term debt are accounted for as regular operating expenses. Under U.S. GAAP, these amounts are considered to be extraordinary items.

(d) Under Canadian GAAP, expenses incurred to effect a business combination accounted for as a pooling of interest are reflected as a capital transaction and charged to retained earnings. Under U.S. GAAP, these amounts are charged to earnings.

(e) Financial Accounting Standard No. 109 requires an asset and liability approach for accounting for income taxes. Deferred income taxes are recognized, at enacted rates, to reflect the future effects of tax carry forwards and temporary differences arising between the tax basis of assets and liabilities and their financial reporting amounts at each year end. Assets and liabilities related to purchased businesses are restated to eliminate the net of tax accounting for such assets and liabilities under Canadian GAAP, resulting in higher carrying values and therefore higher operating charges for depreciation, depletion and amortization, but lower tax expense.

(f) Under the full cost method of accounting, according to Canadian GAAP, the net carrying cost of oil and gas properties in producing cost centres is limited to an estimated recoverable amount which is the aggregate of future net revenues from proved reserves plus the costs of undeveloped properties, net of certain costs (the "Canadian ceiling test"). Under U.S. GAAP, as defined by the Securities and Exchange Commission, costs accumulated in each cost centre are limited to an amount equal to the present value, discounted at 10 percent, of the estimated future net operating revenues from proved reserves plus the lower of cost or estimated fair value of unproved properties (the "U.S. ceiling test").

Where the amount of a ceiling test writedown under Canadian GAAP differs from the amount of the writedown under U.S. GAAP, the charge for depreciation and depletion under U.S. and Canadian GAAP will differ in subsequent years.

In 1996, substantially all oil and gas properties were sold.

(g) Statement of Financial Accounting Standards No.123, Accounting for stock-based Compensation ("Statement No. 123") was issued by the Financial Accounting Standards Board in October 1995. Statement No. 123 establishes financial accounting and reporting standards for stock-based employee compensation plans as well as transactions in which an entity issues its equity instruments to acquire goods or services from non-employees. As permitted by the Statement, the Corporation has elected to continue to follow the value based method of accounting for stock-based compensation arrangements, as provided for in Accounting Principles Board Opinion 25.

Consolidated Statement of Changes in Financial Position

Under Canadian GAAP, activities that do not affect cash are included in the determination of financing and investing activities in the Statement of Changes in Financial Position. U.S. GAAP requires the exclusion of non cash activities. The approximate impact on the Corporation's Statement of Changes in Financial Position is as follows:

	1996	1995	1994
Investing – Canadian GAAP	**$(272,304)**	$(206,908)	$(408,368)
Acquisition of subsidiary	–	31,500	4,517
Investing – U.S. GAAP	**$(272,304)**	$(175,408)	$(403,851)
Financing – Canadian GAAP	**$(224,530)**	$ 91,697	$ 322,125
Issue of preferred shares	–	$ (31,500)	–
Issue of long term debt	–	–	(4,517)
Financing – U.S. GAAP	**$(224,530)**	$ 60,197	$ 317,608

Consolidated Balance Sheet

Balance sheet items under U.S. GAAP are not materially different from balances under Canadian GAAP.

21. SUBSEQUENT EVENTS

On January 28, 1997, the Corporation obtained long-term financing in the form of $75.0 million 7.0% notes due 2004, $100.0 million 7.7% debentures due 2017, and $125.0 million 7.8% debentures due 2027. The net proceeds of the debt offerings will be used to repay outstanding debt under the Corporation's revolving term credit facility.

On February 25, 1997, the Corporation repurchased 13.9 million of its common shares at Cdn. $20.00 per share.

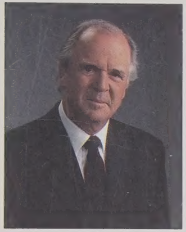
22. QUARTERLY FINANCIAL RESULTS (UNAUDITED)

The following quarterly information includes all adjustments (consisting solely of normal recurring adjustments) necessary for fair presentation.

1996	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	**$ 300,228**	**$ 723,526**	**$ 406,279**	**$ 383,864**	**$1,813,897**
Gross profit	**123,922**	**299,527**	**129,794**	**151,341**	**704,584**
Earnings (loss) from continuing operations before tax	**39,837**	**199,594**	**36,285**	**(28,705)**	**247,011**
Earnings (loss) from continuing operations	**23,915**	**124,287**	**23,060**	**(11,051)**	**160,211**
Net earnings (loss)	**26,943**	**111,806**	**23,355**	**(11,051)**	**151,053**
Basic earnings per common share (in dollars)					
Continuing operations	**$ 0.18**	**$ 0.90**	**$ 0.17**	**$ (0.07)**	**$ 1.16**
Total	**$ 0.20**	**$ 0.81**	**$ 0.17**	**$ (0.07)**	**$ 1.09**
Average outstanding shares (in thousands)	**135,953**	**137,576**	**138,146**	**139,286**	**137,711**
Fully diluted earnings per common share (in dollars)					
Continuing operations	**$ 0.17**	**$ 0.87**	**$ 0.16**	**$ (0.07)**	**$ 1.13**
Total	**$ 0.19**	**$ 0.78**	**$ 0.16**	**$ (0.07)**	**$ 1.07**
Average outstanding shares (in thousands)	**142,840**	**142,826**	**142,799**	**143,535**	**143,042**
1995					
Net sales	$ 260,983	$ 680,725	$ 291,477	$ 436,953	$ 1,670,138
Gross profit	107,504	245,732	139,534	188,135	680,905
Earnings from continuing operations before tax	36,616	158,874	65,412	95,424	356,326
Earnings from continuing operations	22,938	98,103	39,243	58,306	218,590
Net earnings	29,978	111,304	44,823	60,227	246,332
Basic earnings per common share (in dollars)					
Continuing operations	$ 0.17	$ 0.74	$ 0.30	$ 0.43	$ 1.64
Total	$ 0.23	$ 0.84	$ 0.34	$ 0.44	$ 1.85
Average outstanding shares (in thousands)	132,729	132,342	131,642	132,583	132,887
Fully diluted earnings per common share (in dollars)					
Continuing operations	$ 0.16	$ 0.68	$ 0.27	$ 0.42	$ 1.53
Total	$ 0.21	$ 0.77	$ 0.31	$ 0.43	$ 1.72
Average outstanding shares (in thousands)	144,372	144,203	143,546	140,181	143,010
1994					
Net sales	$ 117,612	$ 366,291	$ 280,235	$ 258,287	$ 1,022,425
Gross profit	34,782	118,705	101,414	100,955	355,856
Earnings (loss) from continuing operations before tax	(6,000)	59,740	41,339	50,347	145,426
Earnings (loss) from continuing operations	(9,245)	47,602	28,595	28,552	95,504
Net earnings (loss)	853	74,363	11,093	35,364	121,673
Basic earnings per common share (in dollars)					
Continuing operations	$ (0.09)	$ 0.40	$ 0.23	$ 0.23	$ 0.78
Total	$ 0.01	$ 0.63	$ 0.09	$ 0.28	$ 0.99
Average outstanding shares (in thousands)	101,323	118,815	124,214	126,360	122,983
Fully diluted earnings per common share (in dollars)					
Continuing operations	$ (0.09)	$ 0.38	$ 0.21	$ 0.20	$ 0.70
Total	$ 0.01	$ 0.59	$ 0.08	$ 0.25	$ 0.89
Average outstanding shares (in thousands)	112,865	126,663	132,004	140,028	135,967

OFFICERS OF THE COMPANY

G.Woody MacLaren
Chairman of the
Board of Directors

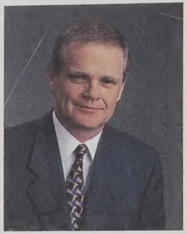


John M. Van Brunt
President and
Chief Executive Officer

Dorothy E.A. Bower
Vice President,
General Counsel &
Corporate Secretary

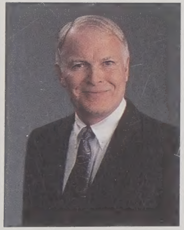
Gary L. Carstens
Senior Vice President,
North American Wholesale

Larry A. Collins
Vice President,
International

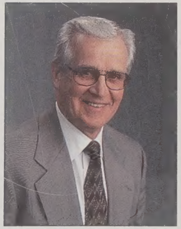


Patrick J. Freeman
Treasurer

Richard L. Gearheard
Vice President,
North American Retail



Michael J. Klein
Vice President,
Human Resources
& Administration



Dale W. Massie
Executive Vice President

Gordon A. Milne
Vice President,
Finance & Chief
Financial Officer

Ian H. Noble
Vice President,
Business Development

Robert J. Rennie
Vice President,
New Products Research
& Development

Corporate Information

Principal Offices

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Ben W. Zimmerman, Regional Manager

Western Region
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Spokane, Washington 99220
Telephone (509) 838-4600
Fax (509) 459-4400
Dan R. Peeno, Regional Manager

Principal Subsidiaries and Associated Companies

	Country of Operation	*Ownership*
Agrium Partnership	Canada	100%
Agrium U.S. Inc.	United States	100%
Agrium Nitrogen Company	United States	100%
Nu-West Industries, Inc.	United States	100%
Crop Production Services, Inc.	United States	100%
Western Farm Service, Inc.	United States	100%
Agroservicios Pampeanos	Argentina	100%
Agrium Argentina SA	Argentina	100%
Canpotex Limited	International	33⅓%
Viridian Inc.	Canada	100%
Viridian Fertilizers Inc.	United States	100%
Viridian Fertilizers Ltd.	Canada	100%

SHAREHOLDER INFORMATION

SHARE CAPITAL

Agrium Inc. is incorporated under the Canada Business Corporations Act and is authorized to issue an unlimited number of common shares and preferred shares.

ANNUAL MEETING

The Annual Meeting of the Shareholders of Agrium Inc. will be held at 11:00 a.m. (MDT) on Tuesday, May 6, 1997 in the Glenview Room of the Calgary Convention Centre, 9th Avenue and 1st Street S.E., Calgary, Alberta. Shareholders of record March 26, 1997 are urged to attend and participate in the business of the meeting.

STOCK EXCHANGES AND TRADING SYMBOLS

Toronto Stock Exchange and New York Stock Exchange: AGU

AGRIUM INC. 1996 PRICE RANGE AND TRADING VOLUMES

Quarter Ended	Stock Exchange	High	Low	Close	Volume
March 31	Toronto (Cdn$)	22.50	17.25	17.63	21,408,571
	Nasdaq (US$)	16.25	12.50	12.83	16,633,280
June 30	Toronto (Cdn$)	19.10	16.00	17.85	19,488,311
	Nasdaq (US$)	14.13	11.75	13.11	13,158,300
September 30	Toronto (Cdn$)	19.60	17.00	18.50	13,410,394
	Nasdaq (US$)	14.38	12.25	13.58	8,956,000
December 31	Toronto (Cdn$)	19.50	17.00	18.70	28,981,207
	NYSE (US$)	14.63	12.63	13.75	13,491,800

AGRIUM INC. DIVIDENDS

A cash dividend of 22.5 cents (Cdn.) per common share (pre-split) was paid on January 5, 1996 to shareholders of record on December 15, 1995. A cash dividend of 5.5 cents (U.S.) per common share was paid on July 3, 1996 to shareholders of record on June 18, 1996.

INVESTOR RELATIONS CONTACT

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Fax (403) 691-8008

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